

ARTHUR
ANDERSEN

ARTHUR ANDERSEN & Co, SC

Copthorne Hotel (Gatwick) Limited

Accounts 31st December, 1994
together with directors' and auditors' reports

Registered number: 994968



Directors' report

For the 9 months ended 31st December, 1994

Introduction

The directors have pleasure in submitting their report on the affairs of the company together with the accounts and auditors' report thereon, for the nine month period ended 31st December, 1994. The company has changed its financial year-end to 31st December to be consistent with its ultimate parent company, Aer Lingus Group plc.

Principal activities

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

The ultimate parent of the company is the Aer Lingus Group plc ("ALG"). In June 1993 the management of ALG announced a group restructuring plan which included proposals to consider the sale of the hotel assets of the group. ALG have confirmed to the directors of the company that these proposals should not affect the operations of the company in the next financial year.

Results and dividends

In the period to 31st December, 1994 the turnover of the company was approximately £3.8 million (year ended 31st March, 1994 - £4.9 million) and the result for the period was a profit before taxation of £124,000 (31st March, 1994 - loss of £82,000).

No dividend has been proposed for the period (year ended 31st March, 1994 - £nil).

Directors

The directors who served during the year are listed below:

D. Jackson
P.J. Taylor
D.A.H. Cook

The directors do not have any interests in the shares of group companies required to be disclosed under Schedule 7 of the Companies Act 1985.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for the period. In preparing those accounts, 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 accounts;

Directors' report (continued)

Directors' responsibilities (continued)

- prepare the accounts 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Fixed assets

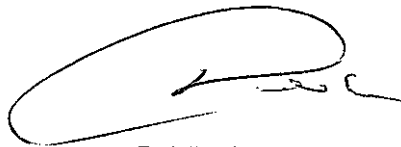
Changes in tangible fixed assets are given in note 8 to the accounts.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Aer Lingus House
83 Staines Road
Hounslow
Middlesex
TW3 3JB

By order of the Board,

A handwritten signature in black ink, appearing to be 'D.A.H. Cook', written over a large, loopy oval shape.

D.A.H. Cook

Director

24 August 1995

Auditors' report

London

To the Shareholders of Copthorne Hotel (Gatwick) Limited:

We have audited the accounts on pages 4 to 15 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on pages 1 and 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

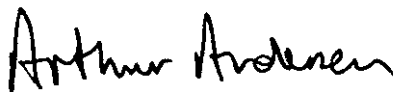
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts 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 accounts 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 accounts.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the company at 31st December, 1994 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

24 August 1995

Profit and loss account

For the 9 months ended 31st December, 1994

| | Notes | 9 months ended 31 December 1994 £'000 | Year ended 31 March 1994 £'000 |
|---|-------|---|---|
| Turnover | 2 | 3,801 | 4,935 |
| Cost of sales | | (1,919) | (2,614) |
| Gross profit | | 1,882 | 2,321 |
| Administrative expenses | | (1,516) | (2,056) |
| Operating profit | | 366 | 265 |
| Investment income | 3 | 3 | 4 |
| Interest payable and similar charges | 4 | (245) | (351) |
| Profit (loss) on ordinary activities before taxation | 5 | 124 | (82) |
| Tax credit on profit (loss) on ordinary activities | 7 | 52 | 115 |
| Retained profit for the period | | 176 | 33 |
| Retained profit, beginning of period | | 4,281 | 4,248 |
| Retained profit, end of period | | 4,457 | 4,281 |

Statement of total recognised gains and losses

For the nine month period ended 31st December, 1994

There are no recognised gains or losses for the period other than the profit of £176,000 (year ended 31st March, 1994 - £33,000).

The accompanying notes are an integral part of these statements.

Balance sheet

31st December, 1994

| | Notes | 31 December 1994 £'000 | 31 March 1994 £'000 |
|--|-------|------------------------------|---------------------------|
| Fixed assets | | | |
| Tangible assets | 8 | 14,183 | 14,314 |
| Investments | 9 | 19 | 19 |
| | | <u>14,202</u> | <u>14,333</u> |
| Current assets | | | |
| Stocks | 10 | 39 | 36 |
| Debtors | 11 | 3,296 | 3,176 |
| Cash at bank and in hand | | 77 | 96 |
| | | <u>3,412</u> | <u>3,308</u> |
| Creditors: Amounts falling due within one year | 12 | (942) | (1,145) |
| Net current assets | | <u>2,470</u> | <u>2,163</u> |
| Total assets less current liabilities | | <u>16,672</u> | <u>16,496</u> |
| Creditors: Amounts falling due after more than one year | 13 | (5,350) | (5,350) |
| Net assets | | <u>11,322</u> | <u>11,146</u> |
| Equity capital and reserves | | | |
| Called-up equity share capital | 15 | 425 | 425 |
| Revaluation reserve | 8 | 6,440 | 6,440 |
| Profit and loss account | | 4,457 | 4,281 |
| Shareholders' funds | 16 | <u>11,322</u> | <u>11,146</u> |

Signed on behalf of the Board

P.J. Taylor

Director

D.A.H. Cook

Director

24 August 1995

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

31st December, 1994

1 Accounting policies

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

a) Principles of preparation

The accounts have been drawn up under the historical cost convention, modified to include the revaluation of freehold land and buildings, and in accordance with applicable accounting standards.

Under the provisions of Financial Reporting Standard No. 1 the company has not presented a cash flow statement as its immediate parent company, Copthorne Hotel Holdings Limited prepares consolidated accounts which include the results of the company and contain a cash flow statement.

b) Tangible fixed assets

Freehold land and buildings are stated at a valuation carried out in October 1986 with any subsequent additions stated at cost.

Because the company's practice is to maintain the hotel property in a continual state of sound repair, the directors consider that the residual value of the property will always equal or exceed the carrying value. Accordingly, no depreciation is provided on freehold buildings. 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 |

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

c) Investments

Fixed asset investments are shown at cost less amounts written off. Provisions are made for permanent reductions in value. Income is recognised only when dividends are paid.

d) Stocks

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

Notes to accounts (continued)

1 Accounting policies (continued)

e) *Taxation*

Corporation tax payable is provided on taxable profits at the current rate.

Tax losses of the company may be sold to certain Aer Lingus Group plc group undertakings, in which case the proceeds are recognised in the tax credit/charge shown in the profit and loss account.

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

f) *Leases*

Assets financed by way of finance leases, which transfer substantially all the risks and rewards of ownership to the company, are initially recorded at their fair value at the inception of the lease. The equivalent liability, categorised as appropriate, is included under creditors due within and after one year. Assets are depreciated over the shorter of the lease terms and their useful economic lives. Finance charges are allocated to accounting periods over the periods of the leases to produce constant rates of return on the outstanding balances.

Rentals under operating leases are charged on a straight-line basis over the lease term.

g) *Pension costs*

The company participates in the Aer Lingus (U.K.) Holdings Pension & Life Assurance Scheme, a defined benefit pension scheme which is available to substantially all employees of the company.

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

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.

Further information on pensions is given in note 17c.

2 Turnover

Turnover represents the invoiced level of hotel services of Copthorne Gatwick Hotel and is stated net of VAT. All turnover is derived in the United Kingdom.

Notes to accounts (continued)

3 Investment income

| | 9 months ended 31 December 1994 £'000 | Year ended 31 March 1994 £'000 |
|--|---|---|
| Other interest receivable and similar income | <u>3</u> | <u>4</u> |

4 Interest payable and similar charges

| | 9 months ended 31 December 1994 £'000 | Year ended 31 March 1994 £'000 |
|---|---|---|
| Interest payable on bank loans, overdrafts and other loans payable within 5 years | - | 1 |
| On loans from other group undertakings | <u>245</u> | <u>350</u> |
| | <u>245</u> | <u>351</u> |

Included in the above is the interest element of charges payable under finance leases amounting to £nil (year ended 31st March, 1994 - £1,000).

5 Profit (loss) on ordinary activities before taxation

Profit (loss) on ordinary activities before taxation is stated after charging:

| | 9 months ended 31 December 1994 £'000 | Year ended 31 March 1994 £'000 |
|--|---|---|
| a) Depreciation of tangible fixed assets | 405 | 552 |
| b) Operating lease rentals payable | 70 | 130 |
| c) Auditors' remuneration (all in respect of audit services) | 18 | 15 |
| d) Staff costs (note 6) | <u>1,324</u> | <u>1,761</u> |

Notes to accounts (continued)

6 Staff costs

The average weekly number of persons employed by the company during the period was 136 (year ended 31st March, 1994 - 134) in the following categories:

| | 9 months ended 31 December 1994 Number | Year ended 31 March 1994 Number |
|-----------------|--|--|
| Operating staff | 122 | 120 |
| Administration | 14 | 14 |
| | <u>136</u> | <u>134</u> |

Employee costs during the period amounted to:

| | 9 months ended 31 December 1994 £'000 | Year ended 31 March 1994 £'000 |
|-----------------------|---|---|
| Wages and salaries | 1,216 | 1,623 |
| Social security costs | 93 | 124 |
| Other pension costs | 15 | 14 |
| | <u>1,324</u> | <u>1,761</u> |

No emoluments were paid to any director for services to the company during the period (year ended 31st March, 1994 - £nil).

7 Tax credit on profit (loss) on ordinary activities

There is no UK corporation tax charge for the period due to the availability of tax losses brought forward.

The tax credit of £52,000 in the period ended 31st December, 1994 resulted from the sale of £315,000 of tax losses to other members of the Copthorne Group.

Movements in deferred taxation are shown in note 14.

Notes to accounts (continued)

8 Tangible fixed assets

| | Freehold hotel £'000 | Plant & fixtures £'000 | Total £'000 |
|--------------------------|----------------------------|------------------------------|----------------|
| Cost or valuation | | | |
| Beginning of period | 11,435 | 5,684 | 17,119 |
| Additions | 14 | 263 | 277 |
| Disposals | - | (8) | (8) |
| End of period | <u>11,449</u> | <u>5,939</u> | <u>17,388</u> |
| Depreciation | | | |
| Beginning of period | - | 2,805 | 2,805 |
| Charge for the period | - | 406 | 406 |
| Disposals | - | (6) | (6) |
| End of period | <u>-</u> | <u>3,205</u> | <u>3,205</u> |
| Net book value | | | |
| Beginning of period | <u>11,435</u> | <u>2,879</u> | <u>14,314</u> |
| End of period | <u>11,449</u> | <u>2,734</u> | <u>14,183</u> |

Freehold land and buildings includes £131,200 (31st March, 1994 - £131,200) of interest capitalised subsequent to the revaluation.

If stated at historical cost, the comparable amount for the freehold hotel would be:

| | 31 December 1994 £'000 | 31 March 1994 £'000 |
|------|------------------------------|---------------------------|
| Cost | <u>5,009</u> | <u>4,995</u> |

The freehold hotel and related equipment were valued on 31st October, 1986 by a professional valuer on the basis of their open market value for the existing use in the business. The above valuation resulted in the creation of the revaluation reserve of £6,440,000. The freehold hotel forms part of the security against the immediate parent's borrowings.

Notes to accounts (continued)

9 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 to operate a squash club in the United Kingdom. Details of the investment are as follows:

| | Unlisted shares £'000 |
|--------------------------------|-----------------------------|
| At beginning and end of period | <u>19</u> |

The directors are of the opinion that the value of the company's investment in its associated undertaking is not less than the value at which it is included in the company's balance sheet.

10 Stocks

| | 31 December 1994 £'000 | 31 March 1994 £'000 |
|---|------------------------------|---------------------------|
| Raw materials, consumables and supplies | <u>39</u> | <u>36</u> |

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

11 Debtors

The following are included within the net book value of debtors and fall due within one year:

| | 31 December 1994 £'000 | 31 March 1994 £'000 |
|--|------------------------------|---------------------------|
| Trade debtors | 253 | 179 |
| Amounts owed by other group undertakings | 2,956 | 2,918 |
| Prepayments and accrued income | <u>87</u> | <u>79</u> |
| | <u>3,296</u> | <u>3,176</u> |

Notes to accounts (continued)

12 Creditors: Amounts falling due within one year

The following amounts are included in creditors falling due within one year.

| | 31 December 1994 £'000 | 31 March 1994 £'000 |
|--|------------------------------|---------------------------|
| Trade creditors | 170 | 155 |
| Amounts owed to other group undertakings | - | 87 |
| Other creditors | 86 | - |
| - VAT | 91 | 68 |
| - social security and PAYE | 35 | 31 |
| Accruals and deferred income | 560 | 804 |
| | <u>942</u> | <u>1,145</u> |

13 Creditors: Amounts falling due after more than one year

The following amounts are included in creditors falling due after more than one year:

| | 31 December 1994 £'000 | 31 March 1994 £'000 |
|--|------------------------------|---------------------------|
| Amounts owed to other group undertakings | <u>5,350</u> | <u>5,350</u> |

The amounts owed to other group undertakings carry a commercial rate of interest and are due for repayment on 31st December, 1995. However, the company has received confirmation that the loans will be rolled over for a further period of three years.

14 Provision for liabilities and charges

The amounts of unprovided deferred taxation are as follows:

| | 31 December 1994 £'000 | 31 March 1994 £'000 |
|---|------------------------------|---------------------------|
| Excess of tax allowances over book depreciation of fixed assets | 858 | 659 |
| Tax effect of losses carried forward | (797) | (630) |
| Other timing differences relating to current assets and liabilities | - | (29) |
| | <u>61</u> | <u>-</u> |

Potential deferred tax on the revaluation of land and buildings is estimated at £1,517,000 (31st March, 1994 - £1,517,000) but is not provided for since there is no intention to dispose of the property.

Notes to accounts (continued)

15 Called-up equity share capital

| | 31 December 1994 £'000 | 31 March 1994 £'000 |
|---|------------------------------|---------------------------|
| <i>Authorised</i> | | |
| 57,500,000 ordinary shares of 1p each | 575 | 575 |
| 425,000 deferred shares of £1 each | 425 | 425 |
| | <u>1,000</u> | <u>1,000</u> |
| <i>Allotted, called-up and fully paid</i> | | |
| 42,500 ordinary shares of 1p each | - | - |
| 425,000 deferred shares of £1 each | 425 | 425 |
| | <u>425</u> | <u>425</u> |

The holders of the deferred shares are not entitled to participate in the company's profits nor have voting rights. Upon liquidation they are subordinated to the ordinary shares.

16 Statement of movement in shareholders' funds

| | 31 December 1994 £'000 | 31 March 1994 £'000 |
|-----------------------------|------------------------------|---------------------------|
| Opening shareholders' funds | 11,146 | 11,113 |
| Profit for the period | 176 | 33 |
| Closing shareholders' funds | <u>11,322</u> | <u>11,146</u> |

17 Guarantees and other financial commitments

a) Capital commitments

At 31st December, 1994 the company had capital commitments as follows:

| | 31 December 1994 £'000 | 31 March 1994 £'000 |
|-----------------------------------|------------------------------|---------------------------|
| Contracted but not provided for | 13 | 16 |
| Authorised but not contracted for | - | - |
| | <u>13</u> | <u>16</u> |

Notes to accounts (continued)

17 Guarantees and other financial commitments (continued)

b) *Lease commitments*

At 31st December, 1994 the company had annual commitments for the payment of operating lease rentals in respect of plant and machinery as follows:

| | 31 December 1994 £'000 | 31 March 1994 £'000 |
|-------------------------------|------------------------------|---------------------------|
| Operating leases which expire | | |
| - within one year | 0 | 36 |
| - within two to five years | 20 | 35 |
| - after five years | 38 | 43 |
| | <hr/> 58 | <hr/> 114 |

c) *Pension arrangements*

The company offers membership of the Aer Lingus (U.K.) Holdings Pension & Life Assurance Scheme, a group scheme to which the employer and employees contribute. This is a funded defined benefit scheme providing benefits based on final pensionable salaries.

The assets of the scheme are held separately from those of the company, being invested with insurance companies. The company's contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 31st March, 1994. The principal actuarial assumptions used in the valuation were that the annual rate of return on assets would be 9%, the annual rate of salary increases would be 7½%, and the rate of pension increases would be between 3 and 4½% depending on the category of members. This showed that the market value of the scheme's assets was £5,699,000 and that the actuarial value of those assets represented 99% of the benefits that had accrued to members, after allowing for expected future increases in earnings. This deficit should be eliminated by 31st March, 1997 at the adopted contribution rate of 11.75%.

The company's pension charge for the period was £15,000 (year ended 31st March, 1994 - £14,000) and equalled the contributions payable for the period.

Notes to accounts (continued)

18 Ultimate parent company

The company is a subsidiary undertaking of Copthorne Hotel Holdings Limited, a company registered in England and Wales. This company heads the smallest group in which the results of the company are consolidated for the nine month period ended 31st December, 1994. The consolidated accounts of this group are available to the public from Aer Lingus House, 83 Staines Road, Hounslow, Middlesex.

The ultimate holding company is Aer Lingus Group plc, a company incorporated in the Republic of Ireland. Aer Lingus Group plc has prepared accounts for the twenty-one month period ended 31st December, 1994 which include the results of the company up to that date and which are available to the public from Aer Lingus Group plc, Dublin Airport, Dublin, Ireland.