

**REGISTRAR OF
COMPANIES**

1648769

International Hoteliers (UK) Limited

Report and Financial Statements

Year Ended

31 December 1998



BDO

BDO Stoy Hayward
Chartered Accountants

INTERNATIONAL HOTELIERS (UK) LIMITED

Annual report and financial statements for the year ended 31 December 1998

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Directors

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Directors

M A Cairns
J O'Shea
S Moatassem

Secretary and registered office

S Moatassem, Media House, 4 Stratford Place, London, W1N 9AE.

Company number

1698769

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1M 1DA.

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INTERNATIONAL HOTELIERS (UK) LIMITED

Report of the directors for the year ended 31 December 1998

The directors present their report together with the audited financial statements for the year ended 31 December 1998.

Principal activities

The principal activity of the company consists of the ownership of, and investment in the Churchill Inter-Continental Hotel, Portman Square, London.

Review of the business

During 1998 the company continued to receive rental income under the sub-lease with Churchill Group Limited and will do so during 1999.

Results and dividends

The results of the company for the year are set out on page 4 and show profit for the year on ordinary activities after taxation of £9,049,000 (1997 - £5,865,000).

The directors do not recommend the payment of a dividend for the year.

Fixed assets

The directors have released part of the provision in the company's balance sheet against its investment in the subsidiary undertaking.

The directors are of the opinion that the market value of the fixed assets is not less than that shown in the financial statements.

Year 2000

The directors are reviewing the likely impact of the Year 2000 issue on the group's operations. They do not consider that the business will be affected to any significant extent, nor do they anticipate any further material cost being incurred in addressing the issue.

Directors and their interests

The directors of the company during the year were:

P W Hargreaves (alternate R Schmed)	(resigned 5 May 1998)
M T Stott	(resigned 5 May 1998)
Guardian Limited	(resigned 5 May 1998)
M A Cairns	(appointed 1 June 1998)
J O'Shea	(appointed 5 May 1998)
S Moatassem	(appointed 5 May 1998)

No director had any beneficial interest in the shares of the company at any time during the year.

INTERNATIONAL HOTELIERS (UK) LIMITED

Report of the directors for the year ended 31 December 1998 (*Continued*)

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 of the company 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; 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 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 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.

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board



S Moatassem

Director

Date 29/9/99 .

INTERNATIONAL HOTELIERS (UK) LIMITED

Report of the auditors

To the shareholders of International Hoteliers (UK) Limited

We have audited the financial statements on pages 4 to 11 which have been prepared under the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the 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.



BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditors*
London

29 September 1999

INTERNATIONAL HOTELIERS (UK) LIMITED**Profit and loss account for the year ended 31 December 1998**

	Note	1998 £'000	1997 £'000
Turnover	2	463	463
Other operating charges		(7)	(7)
Income from shares in group undertakings		3,239	8,091
Exceptional release	4	6,803	1,630
Interest receivable		194	236
Interest payable and similar charges	5	(1,643)	(4,548)
Retained profit on ordinary activities before and after taxation	6,14	<u>9,049</u>	<u>5,865</u>

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 6 to 11 form part of these financial statements

INTERNATIONAL HOTELIERS (UK) LIMITED

Balance sheet at 31 December 1998

	Note	1998 £'000	1997 £'000
Fixed assets			
Tangible assets	7	107,500	107,500
Investments	8	14,239	7,436
		<u>121,739</u>	<u>114,936</u>
Current assets			
Debtors	9	1,379	7,868
Creditors: amounts falling due within one year	10	-	133
		<u>1,379</u>	<u>7,735</u>
Net current (liabilities)/assets			
		<u>1,379</u>	<u>7,735</u>
Total assets less current liabilities		<u>123,118</u>	<u>122,671</u>
Creditors: amounts falling due after more than one year	11	71,057	79,659
		<u>52,061</u>	<u>43,012</u>
Capital and reserves			
Called up share capital	13	2,000	2,000
Revaluation reserve	14	98,625	98,625
Profit and loss account	14	(48,564)	(57,613)
Shareholders' funds	15	<u>52,061</u>	<u>43,012</u>

All items within shareholders' funds are equity.

The financial statements were approved by the board on

S Moatassem

Directors

J O'Shea

The notes on pages 6 to 11 form part of these financial statements

INTERNATIONAL HOTELIERS (UK) LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998

1 Accounting policies

Basis of accounting

The accounts have been prepared under the historical cost convention, except for long leasehold land and buildings which are stated at directors' valuation, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied.

Basis of consolidation

The company has taken advantage of the exemption not to submit group accounts as the company is itself a wholly owned subsidiary of an EC parent company incorporated in Great Britain (see note 17). The financial statements present information about the company as an individual undertaking and not about its group.

Fixed assets

No provision for depreciation is made on long leasehold land and buildings where the remaining term of the lease exceeds 30 years.

In the opinion of the directors, where there is more than 30 years remaining on the lease term, the properties are considered to have an estimated residual value of at least that shown in the balance sheet so that their depreciation is insignificant. The properties are regularly maintained and maintenance costs are charged directly against the profit and loss account.

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for diminution in value.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

2 Turnover

Turnover represents rental income, exclusive of VAT, under the sub-lease with the company's subsidiary undertaking, Churchill Group Limited.

All revenue is generated in the United Kingdom.

The directors consider the whole of the activities of the company to constitute a single class of business.

3 Directors and employees

The average number of employees, including directors, during the year was 3 (1997 - 2).

The directors received fees of £325 during the year (1997 - £1,000).

INTERNATIONAL HOTELIERS (UK) LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 *(Continued)*

4 Exceptional item

	1998 £'000	1997 £'000
Release of provision against the cost of investment in Churchill Group Limited	6,803	1,630
	<u> </u>	<u> </u>

5 Interest payable

Interest payable on loans repayable within five years:		
Bank loans (note 11)	1,201	3,036
Other loans (note 11)	442	1,512
	<u> </u>	<u> </u>
	1,643	4,548
	<u> </u>	<u> </u>

6 Taxation on ordinary activities

No taxation is payable due to the availability of tax losses (1997 - £Nil).

7 Tangible fixed assets

	Long leasehold land and buildings £'000
Valuation	
At 1 January and 31 December 1998	107,500
	<u> </u>

The long leasehold interest is stated at directors' valuation made on an open market value basis in 1988. The corresponding amount stated on a historical cost basis is as follows:

	£'000
Cost	
At 1 January and 31 December 1998	8,875
	<u> </u>

INTERNATIONAL HOTELIERS (UK) LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 (*Continued*)

8 Fixed asset investments

£'000

Cost

At 1 January and 31 December 1998

46,661

Amounts provided

At 1 January 1998

39,225

Released during the year

(6,803)

At 31 December 1998

32,422

Net book amount

At 31 December 1998

14,239

At 31 December 1997

7,436

Further details of the subsidiary undertaking are given below:

Name	Principal activity	Description and proportion of shares held	Country of registration
Churchill Group Limited	Hotelier	100% ordinary shares 100% deferred shares	England

The investment is unlisted and has been adjusted by the directors to the net asset value of Churchill Group Limited at 31 December 1998.

9 Debtors: amounts falling due within one year

	1998 £'000	1997 £'000
Amounts owed by subsidiary undertaking	1,081	7,570
Amounts owed by parent undertakings	298	298
	<u>1,379</u>	<u>7,868</u>

INTERNATIONAL HOTELIERS (UK) LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 (*Continued*)

10 Creditors: amounts falling due within one year

	1998 £'000	1997 £'000
Accruals and deferred income	-	133
	<u> </u>	<u> </u>

11 Creditors: amounts falling due after more than one year

Bank loans	-	47,000
Other loans	-	32,659
Loans from parent undertaking	71,057	-
	<u> </u>	<u> </u>
	71,057	79,659
	<u> </u>	<u> </u>

The bank loans and other loans were repaid during the year.

Interest of £1,643,000 (1997 - £3,036,000) was paid in respect of these loans.

12 Provision for liabilities and charges

An analysis of the closing balance of deferred taxation is shown below:

	1998		1997	
	Unprovided £'000	Provided £'000	Unprovided £'000	Provided £'000
Unrelieved tax losses carried forward	(5,790)	-	(2,154)	-
Revaluation of fixed assets	27,883	-	29,837	-
Interest payable	-	-	(5,638)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	22,093	-	22,045	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

13 Share capital

	1998 £'000	1997 £'000
<i>Authorised, allotted and fully paid</i>		
2,000,000 ordinary shares of £1 each	2,000	2,000
	<u> </u>	<u> </u>

INTERNATIONAL HOTELIERS (UK) LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 *(Continued)*

14 Reserves £'000

An analysis of movements on reserves is given below:

Revaluation reserve	
At 1 January 1998 and 31 December 1998	98,625
	<hr/>
Profit and loss account	
At 1 January 1998	(57,613)
Profit for the year	9,049
	<hr/>
At 31 December 1998	(48,564)
	<hr/>

15 Reconciliation of movement in shareholders' funds

	1998 £'000	1997 £'000
Profit for the financial year	9,049	5,865
Opening shareholders' funds	43,012	37,147
	<hr/>	<hr/>
Closing shareholders' funds	52,061	43,012
	<hr/>	<hr/>

16 Contingent liabilities

On the 5 May 1998, a debenture and mortgage of shares were created by the company for securing all present and future obligations and liabilities from the company, Churchill Group Limited, Primeairo Limited and Havana Holdings (UK) Limited to Deutsche Pfandbrief-und Hypothekenbank Aktiengesellschaft ("DePfa").

Under the debenture, a charge was placed on the assets and leasehold property, The Churchill Hotel .

Under the mortgage, a charge was placed on the shares and securities of the company and any income derived therefrom.

At 31 December 1998, the balance due from Havana Holdings (UK) Limited to DePfa was £88,000,000.

INTERNATIONAL HOTELIERS (UK) LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 (*Continued*)

17 Ultimate parent company

At 31 December 1998, the company's ultimate parent company is Havana Investments Limited, a company incorporated under the laws of the state of Jersey. The parent company of the smallest group of which the company is a member and for which group accounts are prepared is Havana Holdings (UK) Limited, a company registered in England and Wales.

Copies of the consolidated accounts may be obtained from Media House, 4 Stratford Place, London, WIN 9AE.

The ultimate controlling party is unknown.

18 Statement of cash flows

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 not to produce a statement of cash flows since its parent company publishes consolidated financial statements, including a statement of cash flows.

19 Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8, Related Party Disclosures, not to disclose transactions with group companies, on the basis that it is 90% or more controlled within the group and its parent undertaking, Havana Holdings (UK) Limited, Primeairo Limited, prepares consolidated financial statements which are publicly available.

Balances with other related parties are disclosed in notes 9 and 11 to the financial statements.