

Company Registration No. 3049766 (England and Wales)

CROWN LODGE INVESTMENTS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

REGISTRAR'S COPY
OF ACCOUNTS



CROWN LODGE INVESTMENTS LIMITED

COMPANY INFORMATION

Directors	G T Lever D R Kirch
Secretary	T J Prosser
Company number	3049766
Registered office	159 Gloucester Road South Kensington London SW7 4TH
Auditors	Cavendish Chartered Certified Accountants Registered Auditors 61 Chandos Place London WC2N 4HG
Business address	159 Gloucester Road South Kensington London SW7 4TH
Solicitors	Davis Hanson 11-12 Southcombe Street West Kensington London W1A 0RA

CROWN LODGE INVESTMENTS LIMITED

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CROWN LODGE INVESTMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report and financial statements for the year ended 31 December 2004.

Principal activities

The company purchased a hotel on 7 August 2003 and is now operating as a property investment company.

Directors

The following directors have held office since 1 January 2004:

G T Lever

D R Kirch

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 December 2004	1 January 2004
G T Lever	-	-
D R Kirch	-	-

Mr D R Kirch owns 99.98% of the issued share capital in the ultimate holding company, Channel Hotels & Properties Limited.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Cavendish be reappointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

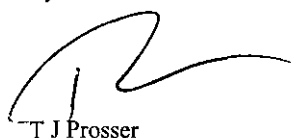
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board



T J Prosser

Secretary

21 March 2005

CROWN LODGE INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CROWN LODGE INVESTMENTS LIMITED

We have audited the financial statements of Crown Lodge Investments Limited on pages 3 to 9 for the year ended 31 December 2004. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company 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 United Kingdom 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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Cavendish

22 March 2005

Chartered Certified Accountants
Registered Auditors
61 Chandos Place
London
WC2N 4HG

CROWN LODGE INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

		2004	2003
	Notes	£	£
Turnover		8,612	5,555
Administrative expenses		(20,640)	(4,166)
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation	2	(12,028)	1,389
Tax on (loss)/profit on ordinary activities	3	-	-
		<hr/>	<hr/>
(Loss)/profit on ordinary activities after taxation	10	<u>(12,028)</u>	<u>1,389</u>

CROWN LODGE INVESTMENTS LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2004**

	2004	2003
	£	£
(Loss)/profit for the financial year	(12,028)	1,389
Unrealised (deficit)/surplus on revaluation of properties	-	9,789
Total recognised gains and losses relating to the year	<u>(12,028)</u>	<u>11,178</u>

CROWN LODGE INVESTMENTS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2004

	Notes	2004 £	£	2003 £	£
Fixed assets					
Intangible assets	4		17,917		22,917
Tangible assets	5 and 6		842,917		847,917
			<u>860,834</u>		<u>870,834</u>
Current assets					
Debtors	7	7,660		5,555	
Creditors: amounts falling due within one year	8	<u>(869,244)</u>		<u>(865,111)</u>	
Net current liabilities			<u>(861,584)</u>		<u>(859,556)</u>
Total assets less current liabilities			<u>(750)</u>		<u>11,278</u>
Capital and reserves					
Called up share capital	9		100		100
Revaluation reserve	10		9,789		9,789
Profit and loss account	10		<u>(10,639)</u>		<u>1,389</u>
Shareholders' funds			<u>(750)</u>		<u>11,278</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board on 21 March 2005


G T Lever
Director

CROWN LODGE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of investment properties and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

As at 31 December 2004 the company had net liabilities of £750 and net current liabilities of £861,584. Channel Hotels & Properties (UK) Limited, the principal creditor and immediate parent undertaking, has indicated that it will continue to provide ongoing financial support to enable the company to continue in business for the foreseeable future. The directors therefore consider it appropriate for the accounts to be drawn up on the going concern basis.

1.2 Turnover

Turnover represents rent receivable.

1.3 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life. The useful economic life has been estimated as five years.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & furniture	20% Straight line method
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Investment properties are included in the balance sheet at their open market value. Depreciation is provided only on those investment properties which are leasehold and where the unexpired lease term is less than 20 years.

Although this accounting policy is in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), it is a departure from the general requirement of the Companies Act 1985 for all tangible assets to be depreciated. In the opinion of the directors compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

2	Operating (loss)/profit	2004	2003
		£	£
	Operating (loss)/profit is stated after charging:		
	Amortisation of intangible assets	5,000	2,083
	Depreciation of tangible assets	5,000	2,083
	Auditors' remuneration	2,350	-
		<u> </u>	<u> </u>

3 Taxation

On the basis of these financial statements no provision has been made for corporation tax.

CROWN LODGE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

4 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2004 & at 31 December 2004	25,000
Amortisation	
At 1 January 2004	2,083
Charge for the year	5,000
At 31 December 2004	7,083
Net book value	
At 31 December 2004	17,917
At 31 December 2003	22,917

5 Tangible fixed assets

	Fixtures, fittings & furniture £
Cost or valuation	
At 1 January 2004 & at 31 December 2004	25,000
Depreciation	
At 1 January 2004	2,083
Charge for the year	5,000
At 31 December 2004	7,083
Net book value	
At 31 December 2004	17,917
At 31 December 2003	22,917

CROWN LODGE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

6 Tangible fixed assets

	Investment properties £
Valuation	
At 1 January 2004 & at 31 December 2004	825,000

Investment properties were revalued by the directors as at 31 December 2004, on an open market basis. The original cost of investment properties was £815,211. If the investment property were sold for the year end carrying value, an estimated tax liability of approximately £3,000 would arise.

7 Debtors	2004 £	2003 £
Other debtors	7,660	5,555

8 Creditors: amounts falling due within one year	2004 £	2003 £
Trade creditors	790	-
Amounts owed to group undertakings	867,279	865,111
Other creditors	1,175	-
	869,244	865,111

9 Share capital	2004 £	2003 £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

10 Statement of movements on reserves

	Revaluation reserve £	Profit and loss account £
Balance at 1 January 2004	9,789	1,389
Retained loss for the year	-	(12,028)
Balance at 31 December 2004	9,789	(10,639)

CROWN LODGE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

11 Contingent liabilities

Investment property with a carrying value of £825,000 is used as security against a loan facility used by the ultimate parent company, Channel Hotels & Properties Limited. The holder of the legal charge is HSBC Bank plc.

12 Ultimate parent company

The immediate parent company is Channel Hotels & Properties (UK) Limited.

The ultimate parent company is Channel Hotels & Properties Limited, a company incorporated in Jersey.

Both Channel Hotels & Properties (UK) Limited and Channel Hotels & Properties Limited prepare group financial statements and copies can be obtained by writing to 159 Gloucester Road, South Kensington, London, SW7 4TH.

13 Control

The immediate controlling party is Channel Hotels & Properties (UK) Limited. The ultimate controlling party is D R Kirch by virtue of his majority shareholding in the ultimate parent company.

14 Related party transactions

As permitted by section 3(c) of Financial Reporting Standard 8, the company has not presented details of inter-group related party transactions.