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REGISTRAR OF
COMPANIES

International Hoteliers (UK) Limited

Report and Financial Statements

Year ended

31 December 2005



BDO Stoy Hayward
Chartered Accountants

International Hoteliers (UK) Limited

Annual report and financial statements for the year ended 31 December 2005

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Directors

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Directors

M A Cairns
J O'Shea
S Moatassef
J Rea

Secretary and registered office

S Moatassef, 30 Portman Square, London, W1A 4ZX.

Company number

1698769

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL.

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International Hoteliers (UK) Limited

Report of the directors for the year ended 31 December 2005

The directors present their report together with the audited financial statements for the year ended 31 December 2005.

Results and dividends

The results of the company for the year are set out on page 5 and show a loss for the year on ordinary activities after taxation of £6,740,000 (2004 - £1,271,000).

The directors do not recommend the payment of a dividend for the year (2004 - £Nil).

Principal activities and review of the business

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

During the year the company continued to receive rental income under the sub-lease with Churchill Group Limited and will do so during 2006.

Directors

The directors of the company during the year were:

M A Cairns
J O'Shea
S Moatassem
J Rea

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

Financial Instruments

Details of the financial risk management objectives and policies and the use of financial instruments by the company are provided in note 19 to the financial statements.

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 year. 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.

International Hoteliers (UK) Limited

Report of the directors for the year ended 31 December 2005 (Continued)

Directors' responsibilities (Continued)

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 LLP 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



M Cairns
Director

Date 27/9/06

International Hoteliers (UK) Limited

Report of the independent auditors

To the shareholders of International Hoteliers (UK) Limited

We have audited the financial statements of International Hoteliers (UK) Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the group's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom 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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if the group 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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.

International Hoteliers (UK) Limited

Report of the independent auditors

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the affairs of the company as at 31 December 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors
London*

27 September 2006

International Hoteliers (UK) Limited

Profit and loss account for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Turnover	2	420	469
Other operating charges		(2,157)	(2,156)
Operating loss	3	(1,737)	(1,687)
Income from shares in group undertakings		4,724	4,569
Exceptional (charge)/release	5	(5,003)	416
Interest payable and similar charges	6	(4,724)	(4,569)
Loss on ordinary activities before and after taxation	14	(6,740)	(1,271)

All amounts relate to continuing activities.

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

There are no movements in shareholders funds in the current and prior year other than the loss for the year.

The notes on pages 8 to 15 form part of these financial statements

International Hoteliers (UK) Limited

Note of historical cost profits and losses for the year ended 31 December 2005

	2005	2004
	£'000	£'000
Note of historical cost profits and losses		
Reported loss on ordinary activities before taxation	(6,740)	(1,271)
Difference between actual and historical cost depreciation	1,972	1,972
	<hr/>	<hr/>
Historical cost (loss)/profit on ordinary activities before taxation	(4,768)	701
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 8 to 15 form part of these financial statements

International Hoteliers (UK) Limited

Balance sheet at 31 December 2005

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Fixed assets					
Tangible assets	8		94,600		96,750
Investments	9		25,508		30,511
			<hr/>		<hr/>
			120,108		127,261
Current assets					
Debtors – due in more than one year	10	37,633		32,496	
Cash at bank and in hand		1		1	
		<hr/>		<hr/>	
			37,634		32,497
Total assets less current liabilities			<hr/>		<hr/>
			157,742		159,758
Creditors: amounts falling due after more than one year	11		104,106		99,382
			<hr/>		<hr/>
			53,636		60,376
Capital and reserves					
Called up share capital	13		2,000		2,000
Revaluation reserve	14		98,625		98,625
Profit and loss account	14		(46,989)		(40,249)
			<hr/>		<hr/>
Shareholders' funds			53,636		60,376
			<hr/>		<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 27/1/06


M Cairns
Director

The notes on pages 8 to 15 form part of these financial statements

International Hoteliers (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2005

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 18). The financial statements present information about the company as an individual undertaking and not about its group.

Revaluation of land and buildings

Following the introduction of FRS15, the company adopted the transitional provisions and fixed assets are recorded at a historic valuation.

The profit or loss on disposal of revalued properties is calculated by reference to net book value and any realised revaluation surplus is transferred to the profit and loss account through reserves.

Depreciation

Depreciation is provided to write off the cost or valuation of all tangible fixed assets evenly over their expected useful lives. The company's long leasehold land and buildings are being depreciated over 50 years.

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.

Financial Instruments

Details of the financial risk management objectives and policies and the use of financial instruments by the company are provided in note 19 to the financial statements.

International Hoteliers (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

2 Turnover

Turnover represents rental income, exclusive of value added tax, 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 Operating loss

	2005 £'000	2004 £'000
This is arrived at after charging:		
Depreciation	2,150	2,150

4 Directors and employees

The average number of employees, including directors, during the year was 4 (2004 - 4).

No directors received any remuneration during the year (2004 - £Nil).

5 Exceptional item

	2005 £'000	2004 £'000
(Charge)/release of provision against the cost of investment in Churchill Group Limited	(5,003)	416

6 Interest payable

	2005 £'000	2004 £'000
Interest payable on loans repayable within five years:		
Loans from parent undertaking (note 11)	4,724	4,569

International Hoteliers (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

7 Taxation on ordinary activities

	2005	2004
	£'000	£'000
Taxation on loss on ordinary activities	-	-
	<u> </u>	<u> </u>

The tax assessed for the year is different from the standard rate of corporation tax in the UK. The differences are explained below:

	2005	2004
	£'000	£'000
Loss on ordinary activities before tax	(6,740)	(1,271)
	<u> </u>	<u> </u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2004 – 30%)	(2,022)	(381)
Effects of:		
Depreciation for year in excess of capital allowances	645	645
Non taxable income - Dividend	(1,417)	(1,371)
Provision against investment	1,501	(125)
Brought forward losses used	(297)	272
Group relief surrendered	405	222
Transfer pricing adjustments	1,185	738
	<u> </u>	<u> </u>
Current tax charge for year	-	-
	<u> </u>	<u> </u>

International Hoteliers (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

8 Tangible fixed assets

	Long leasehold land and buildings £'000
<i>Valuation</i>	
At 1 January 2005 and at 31 December 2005	107,500
	<hr/>
<i>Depreciation</i>	
At 1 January 2005	10,750
Provision for the year	2,150
	<hr/>
At 31 December 2005	12,900
	<hr/>
<i>Net book value</i>	
At 31 December 2005	94,600
	<hr/> <hr/>
At 31 December 2004	96,750
	<hr/> <hr/>

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
<i>Cost</i>	
At 31 December 2005 and at 1 January 2005	8,875
	<hr/> <hr/>

International Hoteliers (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

9	Fixed asset investments	£'000
	<i>Cost</i>	
	At 1 January 2005 and at 31 December 2005	46,661
	<i>Amounts provided</i>	
	At 1 January 2005	16,150
	Charge	5,003
	At 31 December 2005	21,153
	<i>Net book amount</i>	
	At 31 December 2005	25,508
	At 31 December 2004	30,511

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 2005.

10 Debtors

	2005 £'000	2004 £'000
<i>Amounts receivable after more than one year:</i>		
Amounts owed by subsidiary undertaking	37,335	32,198
Amounts owed by parent undertakings	298	298
	37,633	32,496

International Hoteliers (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

11 Creditors: amounts falling due after more than one year

	2005 £'000	2004 £'000
Loans from parent undertaking	104,106	99,382

Interest of £4,723,840 (2004 - £4,568,585) was incurred in respect of these loans.

12 Provision for liabilities and charges

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

	Unprovided 2005 £'000	Provided 2005 £'000	Unprovided 2004 £'000	Provided 2004 £'000
Unrelieved tax losses carried forward	(3,451)	-	(3,696)	-
Revaluation of fixed assets	26,189	-	26,292	-
(Asset)/Liability	22,738	-	22,596	-

The deferred tax asset has not been recognised on losses available to carry forward against future taxable profits as there is currently insufficient evidence that any asset would be recoverable.

The deferred tax liability due to potential gains on revalued property is also unprovided as there is no intention to sell the property at the balance sheet date.

13 Share capital

	Authorised, allotted, called up and fully paid			
	2005 Number	2004 Number	2005 £'000	2004 £'000
Ordinary shares of £1 each	2,000,000	2,000,000	2,000	2,000

International Hoteliers (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

14 Reserves

	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2005	98,625	(40,249)
Loss for the year	-	(6,740)
	<hr/>	<hr/>
At 31 December 2005	98,625	(46,989)
	<hr/> <hr/>	<hr/> <hr/>

15 Contingent liabilities

On the 5 May 1999, 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 Aareal Bank AG.

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 2005, the balance due from Havana Holdings (UK) Limited to Aareal Bank AG was £69,500,000 (2004 - £70,750,000).

16 Ultimate parent company

At 31 December 2005, the company's ultimate parent company is, Sandwood Worldwide Limited registered in the British Virgin Islands. 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 the England and Wales. Copies of the consolidated accounts may be obtained from 30 Portman Square, London, W1A 4ZX.

The beneficial owner of Sandwood Worldwide Limited is Sheikh Hamad bin Jassim bin Jaber Al Thani.

17 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.

18 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, prepares consolidated financial statements which are publicly available.

There were no other related party transactions during the year.

19 Financial Instruments

The Company holds or issues financial instruments to finance its operations and enters into contracts to manage risks arising from those operations and its sources of finance in accordance with its accounting policies.

Working capital requirements and operations are financed by loans from group undertaking.