

REGISTRAR OF
COMPANIES

International Hoteliers (UK) Limited

Report and Financial Statements

Period ended

31 December 2003

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BDO Stoy Hayward
Chartered Accountants

International Hoteliers (UK) Limited

Annual report and financial statements for the period ended 31 December 2003

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Directors

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Directors

M A Cairns
J O'Shea
S Moatassem
J Rea

Secretary and registered office

S Moatassem, 93 Park Lane, London, W1Y 3TA.

Company number

1698769

Auditors

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

International Hoteliers (UK) Limited

Report of the directors for the period ended 31 December 2003

The directors present their report together with the audited financial statements for the period ended 31 December 2003.

Results and dividends

The results of the company for the period are set out on page 5 and show a profit for the period on ordinary activities after taxation of £1,465,000 (2002 - £544,000).

The directors do not recommend the payment of a dividend for the period (2002 - £Nil).

Principal activities and review of the business

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

During the period the company continued to receive rental income under the sub-lease with Churchill Group Limited and will do so during 2004.

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.

Directors

The directors of the company during the period were:

M A Cairns
J O'Shea
S Moatassef
J Rea

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

Directors' responsibilities

Company law requires the directors to prepare financial statements 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 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.

International Hoteliers (UK) Limited

Report of the directors for the period ended 31 December 2003 (Continued)

Directors' responsibilities (Continued)

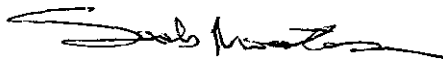
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to re-appoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

On behalf of the Board

S Moatassem



Director

Date 11/11/2004

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 period ended 31 December 2003 on pages 5 to 14 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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.

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 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.

International Hoteliers (UK) Limited

Report of the independent auditors

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 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors
London*

11 November 2004

International Hoteliers (UK) Limited

Profit and loss account for the period ended 31 December 2003

	Note	Period from 1 October 2002 to 31 December 2003 £'000	Year ended 30 September 2002 £'000
Turnover	2	615	463
Other operating charges		(2,159)	(2,158)
Operating loss	3	(1,544)	(1,695)
Income from shares in group undertakings		5,139	4,302
Exceptional release	5	3,007	2,228
Interest receivable and similar income	6	2	11
Interest payable and similar charges	7	(5,139)	(4,302)
Retained profit on ordinary activities before and after taxation	15	1,465	544

All amounts relate to continuing activities.

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

The notes on pages 8 to 14 form part of these financial statements

International Hoteliers (UK) Limited

Note of historical cost profits and losses for the period ended 31 December 2003

	Period from 1 October 2002 to 31 December 2003 £'000	Year ended 30 September 2002 £'000
Note of historical cost profits and losses		
Reported profit on ordinary activities before taxation	1,465	544
Difference between actual and historical cost depreciation	1,972	1,973
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	3,437	2,517
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 8 to 14 form part of these financial statements

International Hoteliers (UK) Limited

Balance sheet at 31 December 2003

	Note	31 December 2003 £'000	31 December 2003 £'000	30 September 2002 £'000	30 September 2002 £'000
Fixed assets					
Tangible assets	9		98,900		101,050
Investments	10		30,095		27,088
			128,995		128,138
Current assets					
Debtors	11	27,465		21,720	
Cash in bank and in hand		1		10	
		27,466		21,730	
Total assets less current liabilities			156,461		149,868
Creditors: amounts falling due after more than one year	12		94,814		89,686
			61,647		60,182
Capital and reserves					
Called up share capital	14		2,000		2,000
Revaluation reserve	15		98,625		98,625
Profit and loss account	15		(38,978)		(40,443)
Shareholders' funds	16		61,647		60,182

All items within shareholders' funds are equity.

The financial statements were approved by the board on 11/11/2004



S Moatsem
Director

The notes on pages 8 to 14 form part of these financial statements

International Hoteliers (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003

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.

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.

International Hoteliers (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003 (*Continued*)

3 Operating loss

	Period from 1 October 2002 to 31 December 2003 £'000	Year ended 30 September 2002 £'000
This is arrived at after charging:		
Depreciation	2,150	2,150
	<u>2,150</u>	<u>2,150</u>

4 Directors and employees

The average number of employees, including directors, during the period was 4 (2002 - 4).

No directors received any remuneration during the period (2002 - £Nil).

5 Exceptional item

	Period from 1 October 2002 to 31 December 2003 £'000	Year ended 30 September 2002 £'000
Release of provision against the cost of investment in Churchill Group Limited	2,583	2,228
	<u>2,583</u>	<u>2,228</u>

6 Interest receivable

	Period from 1 October 2002 to 31 December 2003 £'000	Year ended 30 September 2002 £'000
Bank deposits	2	11
	<u>2</u>	<u>11</u>

International Hoteliers (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003 (*Continued*)

7 Interest payable

	Period from 1 October 2002 to 31 December 2003 £'000	Year ended 30 September 2002 £'000
Interest payable on loans repayable within five periods:		
Loans from parent undertaking (note 12)	5,139	4,302
	<u>5,139</u>	<u>4,302</u>

8 Taxation on ordinary activities

	Period from 1 October 2002 to 31 December 2003 £'000	Year ended 30 September 2002 £'000
Taxation on profit on ordinary activities	-	-
	<u>-</u>	<u>-</u>

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

	Period from 1 October 2002 to 31 December 2003 £'000	Year ended 30 September 2002 £'000
Profit on ordinary activities before tax	1,465	544
	<u>1,465</u>	<u>544</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002 – 30%)	440	163
Effects of:		
Depreciation for period in excess of capital allowances	645	645
Non taxable income - Dividend	(1,542)	(1,291)
- Release of provision against investment	(903)	(668)
Brought forward losses used	(182)	(136)
Group relief surrendered	1,542	1,287
	<u>1,542</u>	<u>1,287</u>
Current tax charge for period	-	-
	<u>-</u>	<u>-</u>

International Hoteliers (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003 (Continued)

9 Tangible fixed assets

	Long leasehold land and buildings
	£'000
<i>Valuation</i>	
At 1 October 2002 and at 31 December 2003	107,500
<hr/>	
<i>Depreciation</i>	
At 1 October 2002	6,450
Provision for the period	2,150
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At 31 December 2003	8,600
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<i>Net book value</i>	
At 31 December 2003	98,900
<hr/>	
At 30 September 2002	101,050
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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 2003 and at 1 October 2002	8,875
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International Hoteliers (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003 (*Continued*)

10 Fixed asset investments	£'000
<i>Cost</i>	
At 1 October 2002 and at 31 December 2003	46,661
<i>Amounts provided</i>	
At 1 October 2002	19,573
Released during the period	(3,007)
At 31 December 2003	16,566
<i>Net book amount</i>	
At 31 December 2003	30,095
At 30 September 2002	27,088

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 2003.

11 Debtors

	31 December 2003 £'000	30 September 2002 £'000
Amounts owed by subsidiary undertaking	27,167	21,422
Amounts owed by parent undertakings	298	298
	<u>27,465</u>	<u>21,720</u>

International Hoteliers (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003 (*Continued*)

12 Creditors: amounts falling due after more than one year

	Period from 1 October 2002 to 31 December 2003 £'000	Year ended 30 September 2002 £'000
Loans from parent undertaking	94,814	89,686

Interest of £5,139,475 (2002 - £4,302,363) was incurred in respect of these loans.

13 Provision for liabilities and charges

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

	31 December 2003 £'000 Unprovided £'000	31 December 2003 £'000 Provided £'000	30 September 2002 £'000 Unprovided £'000	30 September 2002 £'000 Provided £'000
Unrelieved tax losses carried forward	(3,696)	-	(3,881)	-
Revaluation of fixed assets	26,449	-	26,596	-
	<u>22,753</u>	<u>-</u>	<u>22,715</u>	<u>-</u>

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.

International Hoteliers (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003 (*Continued*)

14 Share capital

	Authorised, allotted, called up and fully paid			
	31 December	30 September	31 December	30 September
	2003	2002	2003	2002
	Number	Number	£'000	£'000
Ordinary shares of £1 each	2,000,000	2,000,000	2,000	2,000

15 Reserves

	Revaluation reserve	Profit and loss account
	£'000	£'000
At 1 October 2002	98,625	(40,443)
Profit for the period	-	1,465
At 31 December 2003	98,625	(38,978)

16 Reconciliation of movement in shareholders' funds

	Period from	Year ended
	1 October	30 September
	2002 to	2002
	31 December	2002
	2003	£'000
	£'000	£'000
Profit for the financial period	1,465	544
Opening shareholders' funds	60,182	59,638
Closing shareholders' funds	61,647	60,182

17 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 2003, the balance due from Havana Holdings (UK) Limited to Aareal Bank AG was £72,000,000 (2002 - £76,000,000).

International Hoteliers (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003 (Continued)

18 Ultimate parent company

At 31 December 2003, 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 the England and Wales.

Copies of the consolidated accounts may be obtained from Media House, 93 Park Lane, London, W1Y 3TA.

The ultimate controlling party is unknown.

19 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.

20 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 period.