

Company Registration No. 932874

LONDON PORTMAN HOTEL LIMITED

Report and Financial Statements

Year ended 31 December 2005



LONDON PORTMAN HOTEL LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

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LONDON PORTMAN HOTEL LIMITED

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE PROSPECTS

The principal activity of the company is that of a hotelier. The directors view the result for the year and the future prospects of the company as satisfactory. The shareholders of the immediate parent company are in negotiations to sell the share capital of the immediate parent company to a third party and it is hoped that a sale will be concluded before the end of 2006

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 6. The directors propose no dividend for 2005 (2004 - Nil).

DIRECTORS AND THEIR INTERESTS

The directors who held office throughout the year and subsequently were as follows:

J Rea
S Moatassem
M Cairns
J O'Shea

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company or any other UK group company.

FINANCIAL RISK MANAGEMENT

The directors have considered the impact on the financial statements of market risk, currency risk, interest rate risk, credit risk and liquidity risk. It has been determined that any adverse changes in the market to the parameters that determine the effects of these financial risks will have a minimal impact on the financial performance and position of the Group. The Directors continue to monitor the economic market for fluctuations which drive company decisions and policy.

AUDITORS

A resolution to re-appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Director

22 Portman Square
London W1H 7BG

28 November 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. 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,
- 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDON PORTMAN HOTEL LIMITED

We have audited the financial statements of London Portman Hotel Limited for the year ended 31 December 2005 which comprise the profit and loss account, the note of historical cost profit and losses, the balance sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company'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 United Kingdom 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, in accordance with the relevant financial reporting framework, 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 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 or material inconsistencies with the financial statements.

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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of the company's loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Emphasis of matter – Going concern

Without qualifying our opinion, we draw attention to the disclosures in Note 1 of the financial statements concerning the proposed plans to sell the share capital of the immediate parent company and the impact this would have on the company's ability to continue as a going concern. Whilst the directors consider that the company is a going concern, the intentions of future shareholders are uncertain, including the future funding of the company's operations and the amount of financial support, if any, the company may receive from its new parent. In the event of a sale there would exist a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

28 November 2006

LONDON PORTMAN HOTEL LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2005

	Note	2005 £'000	2004 £'000
TURNOVER	1	13,387	13,598
Cost of sales		(5,046)	(4,950)
Gross profit		8,341	8,648
Other operating income		445	1,601
Administration and distribution expenses		(8,479)	(8,113)
OPERATING PROFIT		307	2,136
Net interest receivable (payable)	5	86	(205)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	393	1,931
Tax on profit on ordinary activities	6	(906)	(1,595)
(LOSS) PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(513)	336

All the activities of the company are of a continuing nature.

There are no recognised gains or losses other than those recognised in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

Year ended 31 December 2005

	2005 £'000	2004 £'000
Reported profit on ordinary activities before taxation	393	1,931
Difference between the historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	1,591	1,591
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,984	3,522
Historical cost profit for the year retained after taxation and dividends	1,083	1,927

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BALANCE SHEET 31 December 2005

	Note	2005 £'000	2004 £'000
FIXED ASSETS			
Tangible assets	7	45,036	48,368
CURRENT ASSETS			
Stocks		237	237
Debtors	8	2,639	2,013
Cash at bank and in hand		1,224	1,195
		<u>4,100</u>	<u>3,445</u>
CREDITORS: amounts falling due within one year	9	<u>(1,378)</u>	<u>(2,018)</u>
NET CURRENT ASSETS		<u>2,722</u>	<u>1,427</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		47,758	49,795
CREDITORS: amounts falling due after more than one year	10	<u>-</u>	<u>(1,524)</u>
NET ASSETS		<u>47,758</u>	<u>48,271</u>
CAPITAL AND RESERVES			
Called up share capital	11	640	640
Revaluation reserve	12	42,134	45,581
Profit and loss account	12	4,984	2,050
Equity shareholders' funds	12	<u>47,758</u>	<u>48,271</u>

These financial statements were approved by the Board of Directors on 28 November 2006.

Signed on behalf of the Board of Directors



Director

LONDON PORTMAN HOTEL LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards and the requirements of the Companies Act 1985. The particular accounting policies adopted are described below and have been applied consistently throughout the year and the previous year.

Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of long leasehold land and buildings.

Going concern

The shareholders of the immediate parent company (George Holdings (UK) Limited) are in negotiations to sell the share capital of the immediate parent company to a third party and it is hoped that a sale will be concluded before the end of 2006. The directors have prepared the financial statements on the basis that the company is a going concern as they consider the company to be a going concern based on their knowledge of the company's business and its existing funding arrangements. However, the intentions of the new shareholders following any sale of the company are uncertain, including the future funding of the company's operations and the amount of support, if any, the company may receive in the form of loans from its new parent. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Cash flow statement

The company is exempt from the requirements of FRS 1 to prepare a cash flow statement because it is a wholly owned subsidiary of a parent undertaking which is established under the law of a member state of the European Community and whose consolidated financial statements are publicly available.

Fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life as follows:

Long leasehold land and buildings	-	40 years
Plant and machinery	-	10 years
Fixtures, fittings and equipment	-	3-7 years

Foreign currencies

Transactions in foreign currencies are recorded using the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period. Differences between the contributions payable in the year and contributions actually paid are shown in either accruals or prepayments in the balance sheet.

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

LONDON PORTMAN HOTEL LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

1. ACCOUNTING POLICIES (continued)

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of services as a hotelier, in the United Kingdom to customers during the year.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005 £'000	2004 £'000
Profit on ordinary activities before taxation is stated after charging the following:		
Auditors' remuneration:		
- as auditors	18	16
- other services	15	15
Depreciation	3,568	3,548

3. REMUNERATION OF DIRECTORS

	2005 £'000	2004 £'000
Directors' emoluments	62	58

4. STAFF NUMBERS AND COSTS

The average number of persons employed by the company including directors during the year was 182 (2004: 181). The aggregate payroll costs of these persons were as follows:

	2005 £'000	2004 £'000
Wages and salaries	3,824	3,748
Social security costs	273	264
Pension costs	75	70
	4,172	4,082

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NOTES TO THE ACCOUNTS

Year ended 31 December 2005

5. NET INTEREST RECEIVABLE (PAYABLE)

	2005 £'000	2004 £'000
Foreign exchange (loss) gain	(5)	2
Bank interest receivable	27	20
	<u>22</u>	<u>22</u>
Bank interest payable	-	(1)
Interest receivable from (payable to) Parent Company	64	(226)
	<u>86</u>	<u>(205)</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005 £'000	2004 £'000
Current tax:		
UK corporation tax at 30% (2004: 30%)	14	461
Adjustment in respect of prior years	1	19
	<u>15</u>	<u>480</u>
Group Relief	894	858
Adjustment in respect of prior years	(3)	-
	<u>906</u>	<u>1,338</u>
Total current tax		
Deferred tax:		
Deferred Tax Assets arising in previous periods	-	257
	<u>-</u>	<u>257</u>
Total deferred tax		
	<u>906</u>	<u>1,595</u>
Tax charge for year on profit on ordinary activities		
Factors affecting the tax charge for the period:		
Profit on ordinary activities before tax	393	1,931
	<u>118</u>	<u>579</u>
Tax on profit on ordinary activities at standard rate		
Effects of:		
Expenses not deductible for tax purposes	605	611
Depreciation in excess of capital allowances	187	132
Movement in short-term timing differences	(2)	(3)
Adjustment in respect of prior years	(2)	19
	<u>906</u>	<u>1,338</u>
Current tax charge for year on profit from ordinary activities		

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NOTES TO THE ACCOUNTS Year ended 31 December 2005

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The amounts provided for deferred taxation (see note 8) and the amounts not provided are set out below:

	2005		2004	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Difference between accumulated depreciation and capital allowances	-	(560)	-	(386)
On revaluation of land and buildings	-	12,051	-	12,776
	<u>-</u>	<u>11,491</u>	<u>-</u>	<u>12,390</u>

The company's freehold property has been revalued in accordance with FRS 15, Tangible Fixed Assets. It is the company's intention to retain the property for the foreseeable future. No deferred tax has been provided on the gains arising from the revaluation as such tax would only become payable if the property were sold without rollover relief being obtained. £12,051,000 represents the maximum tax which would be payable if the assets were sold at the revalued amount with the tax base cost of the assets assumed to be their historic cost.

A deferred tax asset has not been recognised in respect of timing differences relating to depreciation in excess of capital allowances as there is insufficient evidence that the asset will be recovered. The asset would be recoverable if the company is profitable in future periods and the asset reverses.

7. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation:				
At beginning of year	66,771	11,508	14,508	92,787
Additions	-	-	236	236
At 31 December 2005	<u>66,771</u>	<u>11,508</u>	<u>14,744</u>	<u>93,023</u>
Depreciation:				
At beginning of year	22,081	9,092	13,246	44,419
Charge for the year	1,992	868	708	3,568
At 31 December 2005	<u>24,073</u>	<u>9,960</u>	<u>13,954</u>	<u>47,987</u>
Net book value:				
At 31 December 2004	<u>44,690</u>	<u>2,416</u>	<u>1,262</u>	<u>48,368</u>
At 31 December 2005	<u>42,698</u>	<u>1,548</u>	<u>790</u>	<u>45,036</u>

The group has taken advantage of the transitional provisions of FRS 15 "Tangible fixed assets" and retained the book amounts of the land and buildings which were revalued prior to implementation of that standard. The land and buildings were valued at £64,720,000 on an open market basis by Messrs Richard Ellis (Chartered Surveyors) as at 23 November 1988 and the valuations have not subsequently been updated. Subsequent additions of £2,051,000 have been included at cost and have not been revalued.

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NOTES TO THE ACCOUNTS Year ended 31 December 2005

7. TANGIBLE FIXED ASSETS (continued)

The net book value of land and buildings comprises:

	2005 £'000	2004 £'000
Long leasehold	42,698	44,690
Particulars relating to revalued assets are given below:		
	2005 £'000	2004 £'000
Land and buildings:		
At 1988 open market value	64,720	64,720
Aggregate depreciation thereon	(22,022)	(20,263)
Net book value	42,698	44,457
Historical cost of revalued assets	1,093	1,093
Aggregate depreciation based on historical cost	(529)	(502)
Historical cost net book value	564	591

8. DEBTORS

	2005 £'000	2004 £'000
Amounts falling due within one year		
Trade debtors	781	1,053
Other debtors	19	698
Prepayments and accrued income	263	262
Amounts owed from parent company	1,576	-
	2,639	2,013
Deferred tax asset		
Balance at 1 January	-	257
Credit to profit and loss account	-	(257)
Balance at 31 December	-	-

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NOTES TO THE ACCOUNTS Year ended 31 December 2005

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £'000	2004 £'000
Trade creditors	446	748
Corporation tax	170	359
Other taxes and social security	601	641
Amounts owed to parent company	-	77
Accruals and deferred income	161	193
	<u>1,378</u>	<u>2,018</u>

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005 £'000	2004 £'000
Amounts owed to parent company	<u>-</u>	<u>1,524</u>

11. CALLED UP SHARE CAPITAL

	2005 £'000	2004 £'000
Authorised, allotted, called up and fully paid: 640,064 (2004: 640,064) Ordinary shares of £1 each	<u>640</u>	<u>640</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	2005 Shareholders' funds £'000	2004 Shareholders' funds £'000
At beginning of year	640	45,581	2,050	48,271	47,934
Retained profit/loss for year	-	-	(513)	(513)	336
Depreciation transfer	-	(3,447)	3,447	-	-
At end of year	<u>640</u>	<u>42,134</u>	<u>4,984</u>	<u>47,758</u>	<u>48,271</u>

13. RELATED PARTY TRANSACTIONS

The company meets the exemption requirements of paragraph 3(c) of FRS 8: Related Party Transactions, in that 90% or more of its voting rights are controlled within the Rosewood Universal Limited group of companies. The company has therefore not separately disclosed all transactions with other group companies and investees of the group qualifying as related parties.

14. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

As at 31 December 2005 the company's immediate parent company is George Holdings (UK) Limited, which is incorporated in Great Britain and the smallest group to consolidate these financial statements. The ultimate parent undertaking, the largest group to consolidate these financial statements and controlling entity is Rosewood Universal Limited, incorporated and registered in the British Virgin Islands. The financial

LONDON PORTMAN HOTEL LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

statements of the ultimate parent company and the immediate parent company may be obtained by writing to George Holdings (UK) Limited, 22 Portman Square, London W1H 7BG.

15. PENSION SCHEME

The company has a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £74,692 (2004: £70,331).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.