

Chamberlain Hotels Limited

**Directors' report and financial
statements**

Registered number 2307261
For the year ended 31 October 2000



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 October 2000.

Principal activity

The company is a Midlands based owner and operator of hotels in Birmingham. The company has 695 bedrooms with its two operations, Chamberlain Park and Chamberlain Tower. The Chamberlain Park Hotel, a grade II listed building originally built by Lord Rowton was converted into a 250 bedroom hotel in 1993. In February 1999 the Chamberlain Tower Hotel, the second of the company's developments was opened. This conversion of a 1960's office block into a 445 bedroom hotel is situated in the prime location of Broad Street.

Business review

The company have seen a strong performance this year. The Chamberlain Tower hotel has completed its first full year of trading, and general occupancy levels improving. This gives an increase in turnover of 36% to £11.4 million. Reported profits before tax have seen a near 400% increase to £1.7 million. However, to fully appreciate the performance year on year, the substantial effect of implementing Financial Reporting Standard 15: Tangible Fixed Assets ("FRS 15") needs to be considered.

The reported depreciation charge has increased from £96,000 in 1999 to £750,000 in 2000, including £593,000 in respect of previously undepreciated assets. The company have followed the guidance provided by the British Association of Hospitality Accounts when setting depreciation rates. To properly appreciate the changes, we set out below a trading comparison with 1999, as if this new standard had not been applied:

	2000 £000	1999 £000
Sales	11,402	8,363
Operating profit	3,123	1,353
Profit before tax	2,106	340

In summary, the underlying profitability of the company has increased by over 600%.

Looking to the future, the board are aware of the increase in bedroom stock in the central Birmingham area. However, the company retains its policy of offering fixed rates to the majority of customers, which offers exceptional value for money. This all-inclusive pricing structure proves attractive to our customers. Therefore, we look forward to further growth in the next year.

Dividends

The directors do not recommend the payment of a dividend (1999: £Nil).

Directors and directors' interests

The directors of the company throughout the year and their beneficial interests in the ordinary share capital of the company were:

	Ordinary shares of £1 each 2000	1999
AR Fitzpatrick	1,225,000	1,225,000
E Jefferson	125,000	125,000
M Bhardwaj	-	-
K Leahy	-	-

Directors' report *(continued)*

Directors and directors' interests *(continued)*

Of the 1,350,000 ordinary shares in issue, the 1,100,000 held by AR Fitzpatrick are £1 non-voting shares.

The directors are not required to retire by rotation.

No rights to subscribe for shares in, or debentures of the company were granted to any of the other directors or their immediate families, or exercised by them during the financial year.

Employment policy

The company is an equal opportunities employer. It is the company's policy to give full and fair consideration to applications for employment by disabled people, to continue wherever possible the employment of those who become disabled whilst employed and to provide career and training opportunities commensurate with their ability.

Employee involvement is encouraged at all levels throughout the organisation, through regular management meetings, staff consultative committees and by way of a regular newsletter. Due consideration is given to their interests when making management decisions.

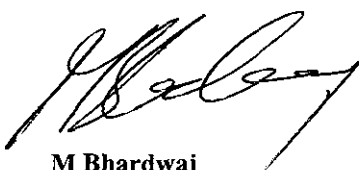
Charitable donations

The company made donations to UK charities of £1,493.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board



M Bhardwaj
Secretary

245 Broad Street
Birmingham
B1 2HQ

19 February 2001

Statement of 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 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;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



2 Cornwall Street
Birmingham
B3 2DL

Report of the auditors to the members of Chamberlain Hotels Limited

We have audited the financial statements on pages 5 to 18.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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.

Basis of audit 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 October 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

19 February 2001

Profit and loss account
for the year ended 31 October 2000

	<i>Note</i>	2000 £	1999 £
Turnover	2	11,402,138	8,362,811
Cost of sales		(994,885)	(813,940)
Gross profit		<u>10,407,253</u>	<u>7,548,871</u>
Administrative expenses		(7,724,188)	(6,195,838)
Operating profit		<u>2,683,065</u>	<u>1,353,033</u>
Income from shares in group undertakings		303,677	-
Interest payable and similar charges	6	(1,320,590)	(1,013,294)
Profit on ordinary activities before taxation	3	<u>1,666,152</u>	<u>339,739</u>
Tax on profit on ordinary activities	7	20,000	-
Retained profit	16	<u><u>1,686,152</u></u>	<u><u>339,739</u></u>

In both the current and preceding year, there was no material difference between the result reported in the profit and loss account and the result on an unmodified historical cost basis.

The company had no recognised gains or losses during the current or preceding financial years other than that disclosed in the profit and loss account above.

All amounts are derived from continuing activities.

Balance sheet
at 31 October 2000

	Note	2000		1999	
		£	£	£	£
Fixed assets					
Tangible assets	8	23,056,909		23,276,069	
Investments	9	4		2	
		<u>23,056,913</u>		<u>23,276,071</u>	
Current assets					
Stock	10	38,028		29,722	
Debtors	11	1,295,270		1,116,692	
Cash at bank and in hand		8,000		8,670	
		<u>1,341,298</u>		<u>1,155,084</u>	
Creditors: Amounts falling due within one year	12	<u>(3,984,834)</u>		<u>(4,183,156)</u>	
Net current liabilities		<u>(2,643,536)</u>		<u>(3,028,072)</u>	
Total assets less current liabilities		<u>20,413,377</u>		<u>20,247,999</u>	
Creditors: Amounts falling due after more than one year	13	<u>(11,762,684)</u>		<u>(13,283,458)</u>	
Net assets		<u>8,650,693</u>		<u>6,964,541</u>	
Capital and reserves					
Called up share capital:					
Ordinary voting	15	250,000		250,000	
Ordinary non-voting	15	1,100,000		1,100,000	
Revaluation reserve	16	5,074,056		5,097,250	
Profit and loss account	16	2,226,637		517,291	
Equity shareholders' funds		<u>8,650,693</u>		<u>6,964,541</u>	

These financial statements were approved by the board of directors on 19 February 2001 and were signed on its behalf by:


AR Fitzpatrick


E Jefferson
Directors

Cash flow statement

for the year ended 31 October 2000

	Note	2000 £	1999 £
Net cash inflow from operating activities	18	3,079,695	706,335
Returns on investments and servicing of finance	19	(1,055,966)	(1,044,967)
Capital expenditure	19	(529,509)	(2,465,629)
Net cash inflow/(outflow) before financing		1,494,220	(2,804,261)
Financing	19	(1,324,765)	2,237,028
Increase/(decrease) in cash in the year		169,455	(567,233)

Reconciliation of net cash flow to movement in net debt

		2000 £	1999 £
Increase/(decrease) in cash in the year		169,455	(567,233)
Cash inflow/(outflow) from increase in debt financing	19	1,324,765	(2,237,028)
Change in net debt resulting from cash flows		1,494,220	(2,804,261)
New hire purchase contracts		-	(946,419)
Movement in net debt in the year		1,494,220	(3,750,680)
Net debt at start of the year		(15,667,685)	(11,917,005)
Net debt at the end of the year	20	(14,173,465)	(15,667,685)

Reconciliation of movements in shareholders' funds
for the year ended 31 October 2000

	2000 £	1999 £
Profit for the financial year	1,666,152	339,739
Taxation	20,000	-
Net addition to shareholders' funds	1,686,152	339,739
Opening shareholders' funds	6,964,541	6,624,802
Closing shareholders' funds	8,650,693	6,964,541

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules modified to include the revaluation of land and buildings.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets over their expected useful lives on a straight line basis as follows:

Freehold land	-	nil
Freehold buildings	-	150 years
Leasehold buildings	-	over the term of the lease
Fixtures, fittings and equipment	-	7-20 years
Computer equipment	-	4 years
Motor vehicles	-	4 years

During the year, the company has applied Financial Reporting Standard No 15: Tangible fixed assets. The company's policy has been to retain existing costs or valuations of its property portfolio and applying depreciation from 1 November 1999. As part of the change, the components of cost or valuation have been reviewed, with a resulting transfer between categories. The company have followed the guidance provided by the British Association of Hospitality Accountants and applied differing rates of depreciation to each category.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

2 Turnover

Turnover represents sales to customers at invoiced amounts exclusive of VAT and is attributable to the company's principal activity within the United Kingdom.

Notes (continued)

3 Profit on ordinary activities before taxation

	2000	1999
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Operating leases:		
Plant and machinery	158,264	141,856
Land and buildings	46,621	39,706
Depreciation of tangible fixed assets	750,129	95,624
Loss on sale of tangible fixed assets	-	100,000
Auditors' remuneration:		
Audit fees	20,000	16,000
Other services	21,603	22,310
<i>after crediting</i>		
Profit on sale of tangible fixed assets	1,460	-

4 Remuneration of directors

	2000 £	1999 £
Remuneration for management services	860,525	686,188
Highest paid director:		
Total remuneration	315,555	250,000

The directors, E Jefferson and AR Fitzpatrick both control third party companies, which during the year charged the company fees of £265,555 and £250,000 respectively for their services. These amounts are included in the above.

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2000	1999
Office and management	310	280

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2000 £	1999 £
Wages and salaries	3,412,184	2,772,365
Social security costs	261,014	197,970
	<hr/> 3,673,198	<hr/> 2,970,335

6 Interest payable and similar charges

	2000 £	1999 £
On bank loans and overdrafts	1,238,341	965,626
Finance charges in respect of finance leases and hire purchase contracts	82,249	47,668
	<hr/> 1,320,590	<hr/> 1,013,294
Interest on loans capitalised	<hr/> -	<hr/> 52,294

7 Taxation

	2000 £	1999 £
Corporation tax on current year profits at 20%	12,000	-
Adjustment in respect of prior year	(32,000)	-
	<hr/> (20,000)	<hr/> -

The total tax charge is lower than the 30% standard rate, principally because the dividend from the subsidiary undertaking is not taxable, through the utilisation of losses brought forward and no provision for deferred taxation is made. This is due to the offset against trading losses carried forward, the availability of hotel capital allowances and the directors' forecast that timing differences will not reverse in the foreseeable future.

Notes (continued)

8 Tangible assets

	Freehold land and buildings	Leasehold land and buildings	Fixtures, fittings and equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost or valuation						
At beginning of year	8,857,487	10,393,988	3,182,354	947,300	75,572	23,456,701
Additions	17,807	68,300	338,995	106,407	-	531,509
Disposals	-	-	-	-	(3,000)	(3,000)
Transfers	73,434	7,092	(99,563)	19,037	-	-
At end of year	8,948,728	10,469,380	3,421,786	1,072,744	72,572	23,985,210
At valuation	8,857,487	-	1,056,791	85,722	-	10,000,000
Cost	91,241	10,469,380	2,364,995	987,022	72,572	13,985,210
	8,948,728	10,469,380	3,421,786	1,072,744	72,572	23,985,210
Depreciation						
At beginning of year	-	-	-	158,052	22,580	180,632
Charge for the year	49,512	107,267	435,776	138,595	18,979	750,129
Disposals	-	-	-	-	(2,460)	(2,460)
At end of year	49,512	107,267	435,776	296,647	39,099	928,301
Net book value						
At 31 October 2000	8,899,216	10,362,113	2,986,010	776,097	33,473	23,056,909
At 31 October 1999	8,857,487	10,393,988	3,182,354	789,248	52,992	23,276,069

Included in the above are assets capitalised under hire purchase contracts and finance leases with a net book value of £810,141 (1999: £919,201). Depreciation charged upon these assets was £105,361 (1999: £52,900).

Included in the leasehold land and buildings is £52,294 (1999: £52,294) of interest which has been capitalised.

On 22 May 1997, the freehold property and the trade furnishings, fixtures, fittings and equipment were valued on an existing use basis by independent surveyors, Christie & Co.

The valuation was carried out in accordance with the RICS Statements of Asset Valuation Practice and Guidance Notes.

Notes (continued)

8 Tangible assets (continued)

If stated on a historical cost basis the value of the freehold property, fixtures, fittings and equipment and computer equipment would be as follows:

	Freehold land and buildings £	Fixtures, fittings and equipment £	Computer equipment £	Total £
Historical cost of revalued assets	3,760,237	1,059,464	99,058	4,918,759
Transfers	73,434	(86,206)	12,772	-
Depreciation	(26,318)	(207,915)	(103,052)	(337,285)
	<hr/>	<hr/>	<hr/>	<hr/>
Historical net book value	3,807,353	765,343	8,778	4,581,474
	<hr/>	<hr/>	<hr/>	<hr/>

9 Investments (held as fixed assets)

	2000 £	1999 £
Investment in subsidiary undertaking at cost:		
At beginning and end of year	4	2
	<hr/>	<hr/>

Subsidiary undertaking	Principal activity during the year	% of ordinary shares held %	Aggregate of capital and reserves at 31 October 2000 £
Chamberlain Broad Street Limited	Dormant	100	2
Chamberlain Property Developments Limited	Dormant	100	2
		<hr/>	<hr/>

10 Stock

	2000 £	1999 £
Food and liquor	38,028	29,722
	<hr/>	<hr/>

Notes (continued)

11 Debtors

	2000 £	1999 £
Trade debtors	1,081,804	1,037,243
Other debtors	1,799	19,635
Prepayments and accrued income	211,667	59,814
	<hr/> 1,295,270	<hr/> 1,116,692

12 Creditors: Amounts falling due within one year

	2000 £	1999 £
Bank loans (secured - see note 13)	1,345,688	1,170,596
Bank overdraft (secured - see note 13)	889,172	1,059,297
Obligations under hire purchase contracts (secured - see note 13)	183,921	163,004
Trade creditors	485,646	517,333
Taxation and social security	414,154	346,248
Amounts owed to subsidiary undertaking	-	303,679
Corporation tax	12,000	32,000
Other creditors	131,178	141,455
Accruals and deferred income	523,075	449,544
	<hr/> 3,984,834	<hr/> 4,183,156

13 Creditors: Amounts falling due after more than one year

	2000 £	1999 £
Bank loans (secured)	11,285,625	12,621,398
Obligations under hire purchase contracts (secured)	477,059	662,060
	<hr/> 11,762,684	<hr/> 13,283,458

Of the bank loans, £5,470,000 (1999: £7,050,000) is payable after more than five years. This is based upon agreed quarterly instalments to fully repay the loan by 31 January 2009 and an interest rate of 2.25% above LIBOR.

The bank loans and overdraft are secured by legal charges over the company's freehold and long leasehold land and buildings and a debenture on the bank's form dated 27 June 1997 incorporating a fixed and floating charge over the company's present and future property and assets.

Hire purchase contracts are secured against the assets to which they relate and are repayable within five years.

Notes (continued)

14 Provisions for liabilities and charges

Deferred tax at 30%

	2000		1999	
	Provided £	Unprovided £	Provided £	Unprovided £
Difference between accumulated depreciation and amortisation on capital allowances	1,063,000	538,000	1,249,330	-
Losses	(1,063,000)	-	(1,249,330)	-
On revaluation of land and buildings	-	1,350,000	-	1,400,000
	<u>-</u>	<u>1,888,000</u>	<u>-</u>	<u>1,400,000</u>

No provision has been made in respect of hotel capital allowances or the potential chargeable gain on the revaluation of the land and buildings as the directors have no present intention to dispose of the properties. No provision is made in respect of timing differences, as the directors' forecast that these will not reverse in the foreseeable future.

15 Called up share capital

	2000 £	1999 £
Authorised:		
Ordinary shares of £1 each	900,000	900,000
Non-voting ordinary shares of £1 each	1,100,000	1,100,000
	<u>2,000,000</u>	<u>2,000,000</u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	250,000	250,000
Non-voting ordinary shares of £1 each	1,100,000	1,100,000
	<u>1,350,000</u>	<u>1,350,000</u>

Non-voting shareholders are not entitled to request, attend or vote at any general meeting. Neither are they entitled to receive more than the amount paid up. In all other respects, non-voting shares rank pari passu with ordinary shares.

16 Reserves

	Revaluation reserve £	Profit and loss account £
At beginning of year	5,097,250	517,291
Profit for the financial year	-	1,686,152
Transfer	(23,194)	23,194
	<u>5,074,056</u>	<u>2,226,637</u>
At end of year	5,074,056	2,226,637

Notes (continued)

17 Commitments

- (i) There were capital commitments contracted for at the year end of £221,000 (1999: £Nil).
- (ii) Annual commitments under non-cancellable operating leases are as follows:

	2000		1999	
	Land and buildings £	Plant and machinery £	Land and buildings £	Plant and machinery £
Operating leases which expire:				
Within one year	-	13,449	-	3,792
In the second to fifth years inclusive	-	115,605	-	103,418
Over five years	46,750	-	46,750	-
	<u>46,750</u>	<u>129,054</u>	<u>46,750</u>	<u>107,210</u>

18 Reconciliation of operating profit to net cash inflow from operating activities

	2000 £	1999 £
Operating profit	2,683,065	1,353,033
(Profit)/loss on disposal of fixed assets	(1,460)	100,000
Depreciation charges	750,129	95,624
Increase in stocks	(8,306)	(12,526)
Increase in debtors	(178,578)	(463,807)
Increase in creditors	(468,832)	(365,989)
Dividend from dormant subsidiary	303,677	-
Net cash inflow from continuing operating activities	<u>3,079,695</u>	<u>706,335</u>

Notes (continued)

19 Analysis of cash flows

Returns on investments and servicing of finance

	2000 £	1999 £
Interest paid and net cash outflow for returns on investments and servicing of finance	(1,055,966)	(1,044,967)

Capital expenditure

	2000 £	1999 £
Purchase of tangible fixed assets	(531,509)	(2,465,629)
Sale of tangible fixed assets	2,000	-
Net cash outflow for capital expenditure	(529,509)	(2,465,629)

Financing

	2000 £	1999 £
New long term loans	-	14,348,404
Repayment of amounts borrowed	(1,160,681)	(11,979,206)
Repayment of capital element of hire purchase agreements	(164,084)	(132,170)
Net cash (outflow)/inflow for financing	(1,324,765)	2,237,028

20 Analysis of changes in net debt

	At beginning of year £	Cash flows £	At end of year £
Cash at bank and in hand	8,670	(670)	8,000
Bank overdrafts	(1,059,297)	170,125	(889,172)
	(1,050,627)	169,455	(881,172)
Debt due within one year	(1,333,600)	(196,009)	(1,529,609)
Debt due after more than one year	(13,283,458)	1,520,774	(11,762,684)
	(15,667,685)	1,494,220	(14,173,465)

Notes *(continued)*

21 Ultimate controlling parties

The voting called up share capital of the company is owed by AR Fitzpatrick and E Jefferson, who are both directors of the company. They are deemed to be the ultimate controlling parties of the company.