

THE CLIVEDEN TOWN HOUSE LIMITED

Report and Accounts

31 December 2000

2492037

 ERNST & YOUNG



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The Cliveden Town House Limited

Registered No. 2492037

DIRECTORS

B T Goodwin
N Shah

SECRETARY

N Shah

AUDITORS

Ernst & Young
Becket House
1 Lambeth Palace Road
London SE 7EU

BANKERS

Barclays Bank PLC
50 Pall Mall
London SW1A 1QA

SOLICITORS

Lovells
65 Holborn Viaduct
London EC1A 2DY

REGISTERED OFFICE

Hill House
1 Little New Street
London EC4A 3TR

The Cliveden Town House Limited

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The principal activity of the company, which has remained unchanged during the year, was that of operating The Cliveden Town House, London.

REVIEW OF ACTIVITIES AND FUTURE DEVELOPMENTS

Following a major refurbishment programme during the prior year, rooms were available for the whole of the financial year. The company made a profit on ordinary activities after tax for the year of £574,000 (1999 – £110,000). The directors anticipate that the company will continue to improve its performance in future years.

The directors do not recommend the payment of a dividend (1999 – £nil).

DIRECTORS AND THE INTERESTS

The directors who served during the year ended 31 December 2000 were as listed on page 1.

None of the directors had, at any time during the current and preceding year, an interest in the shares of the company which is required to be disclosed under paragraph 2 Schedule 7 of the Companies Act 1985.

AUDITORS

Arthur Andersen resigned as auditors on 19 April 2001 and Ernst & Young were appointed in their place. A resolution to reappoint Ernst & Young as the company's auditor will be put to the forthcoming Annual General Meeting.

Ernst & Young has stated that, during 2001, it is intending to transfer its business to a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, to be called Ernst & Young LLP. If this happens, it is the current intention of the directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

On behalf of the Board



26 JUN 2001

Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

REPORT OF THE AUDITORS

to the members of The Cliveden Town House Limited

We have audited the accounts on pages 5 to 13, which have been prepared under the historical cost convention modified to include revaluation of long leasehold hotel premises and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

26 JUN 2001

The Cliveden Town House Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2000

	Notes	2000 £000	1999 £000
TURNOVER	2	2,341	2,184
Operating expenses		(1,767)	(1,820)
OPERATING PROFIT		574	364
Interest payable	6	–	(254)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	574	110
Tax on profit on ordinary activities	7	–	–
RETAINED PROFIT FOR THE YEAR		574	110

All of the results are derived from continuing activities.

The accompanying notes are an integral part of these accounts.

The Cliveden Town House Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2000

	2000 £000	1999 £000
Profit on ordinary activities after taxation	574	110
Total recognised gains relating to the year	<u>574</u>	<u>110</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 31 December 2000

	2000 £000	1999 £000
Retained profit on ordinary activities before taxation	574	110
Difference between an historical cost depreciation charge and the actual depreciation charge for the year	100	100
Historical cost profit on ordinary activities before taxation	<u>674</u>	<u>210</u>
Historical cost profit for the year after taxation	<u>674</u>	<u>210</u>

The accompanying notes are an integral part of these accounts.

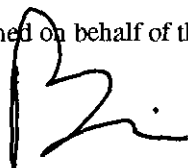
The Cliveden Town House Limited

BALANCE SHEET

At 31 December 2000

	Notes	2000 £000	1999 £000
FIXED ASSETS			
Tangible assets	8	10,696	10,833
CURRENT ASSETS			
Stocks	9	11	13
Debtors	10	196	351
Cash at bank and in hand		139	10
		346	374
CREDITORS: amounts falling due within one year	11	(7,610)	(8,349)
NET CURRENT LIABILITIES		(7,264)	(7,975)
NET ASSETS		3,432	2,858
CAPITAL AND RESERVES			
Called up share capital	13	—	—
Revaluation reserve	14	3,771	3,871
Profit and loss account	14	(339)	(1,013)
EQUITY SHAREHOLDERS' FUNDS	14	3,432	2,858

Signed on behalf of the Board



Director

26 JUN 2001

The accompanying notes are an integral part of this balance sheet.

The Cliveden Town House Limited

NOTES TO THE ACCOUNTS

At 31 December 2000

1. ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost convention modified to include the revaluation of long leasehold hotel premises and in accordance with applicable accounting standards.

Going concern

At 31 December 2000, the company had net liabilities and net current liabilities of £7,264,000 (1999 – £7,975,000) and accordingly is reliant on support from its parent companies.

Destination Europe Limited has confirmed its intention to provide continuing financial support to enable the company to meet its liabilities as they fall due for a period of at least 12 months from the date of these accounts.

Turnover

Turnover represents amounts receivable by the company in respect of goods sold and services rendered, net of trade discounts, VAT and other sales related taxes.

Tangible fixed assets

Financial Reporting Standard 15, "Tangible Fixed Assets", has been adopted by the company for the year ended 31 December 2000. As a result, the company's accounting policy for long leasehold buildings is now as follows:

- (i) long leasehold buildings are now depreciated down to their estimated residual value over their estimated useful economic lives.

Depreciation at 2% per annum is provided on long leasehold buildings. All other tangible fixed assets, including those capitalised under finance leases, are depreciated evenly at rates varying between 10% and 25% per annum based on their expected useful lives.

The estimated useful economic lives of freehold and long leasehold hotel premises have been revised from 40 years to 50 years. In addition the freehold and long leasehold buildings are now depreciated down to their estimated residual value over their estimated useful economic lives. In prior years assets were depreciated to nil.

The financial impact of the change in estimated useful economic life of assets and of depreciating assets to a residual value is £180,000 reduction in the depreciation charge for the year.

Stocks

Stocks, which represent items held for resale, are valued on a first in, first out basis at the lower of cost and net realisable value. Costs include all expenditure incurred in the normal course of business in bringing stocks to their present location and condition. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Operating equipment such as china, glass and crockery, is written off at the time of purchase.

Taxation

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

Deferred taxation is calculated on the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

The Cliveden Town House Limited

NOTES TO THE ACCOUNTS

At 31 December 2000

1. ACCOUNTING POLICIES (continued)

Operating leases

Rentals costs under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if payments are not made on such a basis.

Statement of cash flows

The company has taken advantage of the provision in Financial Reporting Standard 1 (revised 1996) not to prepare a statement of cash flows as it is a wholly owned subsidiary of Destination Europe Limited. The results of the company are included within the consolidated accounts of Destination Europe Limited, which are available to the public.

2. TURNOVER

The turnover of the company for the current year and prior period derive from operating The Cliveden Town House hotel. The turnover of the company arises in the United Kingdom.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	2000 £000	1999 £000
Staff costs (note 5)	674	595
Operating lease charges – land and buildings	82	82
– Plant and machinery	11	34
Auditors' remuneration – audit fees	8	5
Depreciation	180	356

The audit fees of the company have been borne by Cliveden Limited for both the current year and prior year.

4. DIRECTORS' EMOLUMENTS

None of the directors received emoluments for services provided to the company during the year (1999 – £nil).

The company did not pay any pension contributions on behalf of the directors.

5. STAFF COSTS

	2000 £000	1999 £000
Wages and salaries	622	549
Social security costs	52	46
	674	595

The Cliveden Town House Limited

NOTES TO THE ACCOUNTS

At 31 December 2000

5. STAFF COSTS (continued)

The average monthly number of employees during the year including part time staff and executives director was:

	2000 No.	1999 No.
Office and management	8	6
Hotel operations	30	31
	<u>38</u>	<u>37</u>

6. INTEREST PAYABLE

	2000 £000	1999 £000
Interest on bank loans	-	254
	<u>-</u>	<u>254</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

There was no tax charge for the year due to the utilisation of tax losses brought forward (1999 – £nil).

8. TANGIBLE FIXED ASSETS

	Long leasehold hotel premises £000	Furniture, fixture and fittings £000	Total £000
Cost or valuation:			
At 1 January 2000	10,735	733	11,468
Additions	37	6	43
	<u>10,772</u>	<u>739</u>	<u>11,511</u>
At 31 December 2000			
Depreciation:			
At 1 January 1999	373	262	635
Charge for the year	128	52	180
	<u>501</u>	<u>314</u>	<u>815</u>
At 31 December 2000			
Net book value:			
At 31 December 2000	10,271	425	10,696
	<u>10,362</u>	<u>471</u>	<u>10,833</u>
At 31 December 1999			

The Cliveden Town House Limited

NOTES TO THE ACCOUNTS

At 31 December 2000

8. TANGIBLE FIXED ASSETS (continued)

If long leasehold premises had not been revalued they would have been included at the following amounts:

	2000 £000	1999 £000
Cost	6,722	6,722
Depreciation	(394)	(232)
Net book value	<u>6,328</u>	<u>6,490</u>

9. STOCKS

	2000 £000	1999 £000
Hotel stocks	<u>11</u>	<u>13</u>

10. DEBTORS

	2000 £000	1999 £000
Amounts falling due within one year:		
Trade debtors	88	178
Amounts due from group undertakings	64	64
Other debtors	6	82
Prepayments	38	27
	<u>196</u>	<u>351</u>

11. CREDITORS: amounts falling due within one year

	2000 £000	1999 £000
Trade creditors	49	120
Amounts owed to group undertakings	7,387	8,131
Other creditors	23	21
Accruals and deferred income	72	27
Other taxes and social security	79	50
	<u>7,610</u>	<u>8,349</u>

The Cliveden Town House Limited

NOTES TO THE ACCOUNTS

At 31 December 2000

12. PROVISIONS FOR LIABILITIES AND CHARGES

There is no provision for deferred taxation in the accounts (1999 – £nil) on the basis that there is no expectation to dispose of the revalued properties.

Unprovided deferred taxation liabilities/(assets) balances comprise:

	2000 £000	1999 £000
Capital allowances in excess of depreciation	60	(7)
Surplus on revaluation of property	1,324	1,324
Available tax losses	–	–
	<u>1,384</u>	<u>1,317</u>

13. SHARE CAPITAL

	2000 £000	1999 £000
Authorised: 1,000 ordinary shares of £1 each	1,000	1,000
Allotted called up and fully paid 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Revaluation reserve £	Profit and loss account £	Total share- holders' funds £
Equity shareholders' funds at 1 January 2000	3,871	(1,013)	2,858
Retained profit for the year	–	574	574
Transfer of additional depreciation charge as a result of revaluation of fixed assets	(100)	100	–
Equity shareholders' funds at 31 December 2000	<u>3,771</u>	<u>(339)</u>	<u>3,432</u>

The Cliveden Town House Limited

NOTES TO THE ACCOUNTS

At 31 December 2000

15. FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	<i>Land and buildings</i>	<i>Land and buildings</i>	<i>Other</i>	<i>Other</i>
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Expiry date:				
Between two and five years	–	–	10	–
After five years	82	82	–	–

16. CONTINGENT LIABILITIES

The company is contingently liable in respect of a group VAT election for which the group liability at 31 December 2000 was £423,463 (1999 – £252,880).

The company has entered into certain charges and cross guarantees with other group undertakings in respect of the new borrowing facilities entered into by Destination Europe Limited, an intermediate parent company, and accordingly is contingently liable for amounts outstanding under these facilities.

17. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard 8 not to disclose related party transactions with Destination Europe Limited group companies.

18. ULTIMATE CONTROLLING PARTY

The company's immediate parent undertaking is Cliveden Limited, (formerly 'Cliveden Plc') registered in England and Wales. The company's ultimate parent undertaking and controlling party is Destination Europe USA LLC, registered in Delaware.

The smallest group in which the results of The Cliveden Town House Limited are consolidated is that headed by Destination Europe Limited. The largest group in which the results are consolidated is that headed by Destination Europe USA LLC. Destination Europe USA LLC is owned by Prometheus UK Hospitality LLC (65%), Lowe Destination Europe LLC (25%), and Cascade Investment LLC (10%).

The accounts of Destination Europe Limited may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3UZ. The accounts of Destination Europe USA LLC are not available to the public.