

Malmaison Limited

**Directors' report and financial
statements**

Registered number 3141385

30 June 2002



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2002.

The comparative period is for the 18 months ended 30 June 2001.

Review of business

The Company acts as holding company for the Malmaison group of companies. The results for the period are set out in the profit and loss account on page 4.

The directors regard the results and future prospects of the Company as satisfactory.

Dividends

The directors propose the payment of a final dividend of £5,300,000 for the year. (2001: £6,062,057).

Directors and directors' interests

The directors who held office during the year were as follows:

RG Balfour-Lynn	(resigned 17 May 2002)
JW Harrison	(resigned 16 May 2002)
JS Shashou	(resigned 16 May 2002)
AF Blurton	(resigned 16 May 2002)
J Singh	
MA Bibring	(resigned 16 May 2002)
IB Cave	

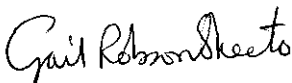
None of the directors who held office at the 30 June 2002 had any interest in the share capital of the Company. The interests of J Singh in the share capital of the ultimate holding company, Marylebone Warwick Barfour Group Plc, are disclosed in the financial statements of that company.

At 30 June 2001, IB Cave held an option to purchase 256,710 ordinary shares in Marylebone Warwick Balfour Group Plc at 117p per share and a further option to purchase 125,000 ordinary shares in Marylebone Warwick Balfour Group Plc at 95p per share. These options were cancelled during the year ended 30 June 2002.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Gail Robson-Skeete
Company Secretary

1 West Garden Place
Kendal Street
London
W2 2AQ

9th February 2003

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.

KPMG Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Report of the independent auditors to the members of Malmaison Limited

We have audited the financial statements on pages 4 to 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, 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 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.

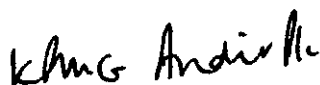
Basis of audit opinion

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 affairs of the Company as at 30 June 2002 and of the loss of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

10 February 2003

Profit and loss account
for the year ended 30 June 2002

	<i>Note</i>	Year ended 30 June 2002 £	18 months ended 30 June 2001 £
Administrative expenses		(223,515)	(791,037)
Operating loss		(223,515)	(791,037)
Income from shares in group undertakings		5,500,000	16,362,546
Interest receivable and similar income	3	8,817	44,965
Interest payable and similar charges	4	-	(2,927,159)
Profit on ordinary activities before taxation	5	5,285,302	12,689,315
Tax on profit on ordinary activities	6	(262,412)	262,412
Profit for the financial year		5,022,890	12,951,727
Dividends paid and proposed		(5,300,000)	(6,062,057)
(Loss)/profit for the financial year	11	(277,110)	6,889,670

All activities are continuing.

There were no recognised gains or losses other than the profit for the year.

Balance sheet
at 30 June 2002

	<i>Note</i>	2002 £	2001 £
Fixed assets			
Investments	7	6,032,527	6,032,527
Current assets			
Debtors	8	42,098,204	34,163,212
		42,098,204	34,163,212
Creditors: amounts falling due within one year	9	(47,809,473)	(39,597,371)
Net current liabilities		(5,711,269)	(5,434,159)
Total assets less current liabilities		321,258	598,368
Net assets		321,258	598,368
Capital and reserves			
Called up share capital	10	269,621	269,621
Profit and loss account	11	51,637	328,747
Equity shareholders' funds	11	321,258	598,368

These financial statements were approved by the board of directors on 9th February 2003 and were signed on its behalf by:

IB Cave
Director



J Singh
Director



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.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under FRS 1 (Revised) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Marylebone Warwick Balfour Group Plc, it has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

Investments

Investments in subsidiary undertaking are stated at cost less any provision for impairment.

Deferred taxation

The charge for taxation is based on the result for the year, which takes account of taxation deferred because of timing differences between the treatment of certain items for taxation purposes and the treatment under the Company's accounting policies.

Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation. Previously, the Company's accounting policy was to provide for deferred tax only to the extent that liabilities or assets were expected to be payable or receivable in the foreseeable future. This was in accordance with Generally Accepted Accounting Principles in the UK.

In accordance with FRS 19, Deferred Tax is now provided in respect of all timing differences that have originated, but not reversed at the balance sheet date that may give rise to an obligation to pay more or less tax in the future except as otherwise required by FRS19. Deferred tax is measured on a non-discounted basis.

2 Directors and employees

The Company employed no staff during the current year or the prior period.

None of the directors received any emoluments from the Company (2001: £nil).

Notes (continued)

3 Interest receivable and similar income

	Year ended 30 June 2002 £	18 months ended 30 June 2001 £
Bank interest receivable	8,817	44,965
	<u>8,817</u>	<u>44,965</u>

4 Interest payable and similar charges

	Year ended 30 June 2002 £	18 months ended 30 June 2001 £
On bank loans and overdrafts	-	2,718,384
On loans from group undertakings	-	208,775
	<u>-</u>	<u>2,927,159</u>
	<u>-</u>	<u>2,927,159</u>

5 Profit on ordinary activities before taxation

Audit fees were borne by another group company.

Notes (continued)

6 Tax on profit on ordinary activities

The tax charge on the profit on ordinary activities has been reduced from the amount that would arise from applying the prevailing corporation tax rate to the Company's profits as follows:

	Year ended 30 June 2002 £	18 months ended 30 June 2001 £
UK corporation tax at 30% on company profits before tax	1,585,591	3,806,975
Non-taxable dividends from UK subsidiaries	(1,650,000)	(4,902,764)
Group relief surrendered to other group companies for no consideration	64,409	1,095,969
Tax potentially payable in respect of the Company's acquisition	262,412	(262,412)
Total corporation tax charged to the profit and loss account	<u>262,412</u>	<u>(262,412)</u>

7 Investments

	Interest in subsidiary Undertakings £
<i>Cost</i>	
At beginning and end of year	<u>6,032,527</u>

The Company has investments in the following subsidiary undertakings

Subsidiary undertakings	Country of incorporation and operation	Principal activity	Proportion of ordinary share capital	Proportion of voting rights
The Malmaison Company (Edinburgh) Limited	England/ Scotland	Hotel ownership	100%	100%
The Malmaison Hotel (Birmingham) Limited	England	Hotel ownership	100%	100%
The Malmaison Hotel (Glasgow) Limited	Scotland	Hotel ownership	100%	100%
The Malmaison Hotel (Newcastle) Limited	England	Hotel ownership	100%	100%
The Malmaison Hotel (Manchester) Limited	England	Hotel ownership	100%	100%
The Malmaison Hotel (Leeds) Limited	England	Hotel ownership	100%	100%
MWB Malmaison Brand Limited (formerly Malmaison Brand Limited)	Scotland	Dormant	100%	100%
Malmaison Resources Limited	England	Dormant	100%	100%
Malmaison Hotels Limited	England	Dormant	100%	100%
Malmaison (Chart Square) Limited	England	Hotel ownership	100%	100%

Notes (continued)

8 Debtors

	2002 £	2001 £
Amounts owed by group undertakings	41,873,748	34,156,772
Other debtors	224,456	6,440
	<u>42,098,204</u>	<u>34,163,212</u>

9 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank overdraft	46,744	791
Trade creditors	2,535	2,535
Amounts owed to group undertakings	47,492,282	39,508,022
Other creditors	262,412	-
Accruals and deferred income	5,500	86,023
	<u>47,809,473</u>	<u>39,597,371</u>

10 Called up share capital

	2002 £	2001 £
<i>Authorised</i>		
27,000,000 ordinary shares of 1p each	270,000	270,000
1,900,000 'B' deferred convertible shares of 1p each	-	-
	<u>270,000</u>	<u>270,000</u>
<i>Allotted, called up and fully paid:</i>		
26,962,147 ordinary shares of 1p each	269,621	269,621
	<u>269,621</u>	<u>269,621</u>

Notes (continued)

11 Reconciliation of movements in shareholders' funds

	Share capital £	Profit and loss account £	Shareholders' funds £
As at 1 July 2001	269,621	328,747	598,368
Loss for the year	-	(277,110)	(277,110)
	<hr/>	<hr/>	<hr/>
As at 30 June 2002	269,621	51,637	321,258
	<hr/>	<hr/>	<hr/>

12 Immediate and ultimate parent companies

The immediate parent company is MWB Malmaison Holdings Limited and the ultimate parent company is Marylebone Warwick Balfour Group Plc. Both companies are registered in England and Wales.

The only group in which the results of the Company are consolidated is that headed by Marylebone Warwick Balfour Group Plc. The consolidated financial statements are available to the public and may be obtained from the Company Secretary, City Group Limited, 25 City Road, London EC1Y 1BQ.