

Mandarin Oriental Hyde Park Limited
(formerly The Hyde Park Hotel Limited)

Directors' Report and Financial Statements
For the Year Ended 31 December 1999

3200312



Mandarin Oriental Hyde Park Limited
(formerly The Hyde Park Hotel Limited)
Company Registration Number: 3200312

Directors' Report for the Year Ended 31 December 1999

The Directors present their report and the Audited Financial Statements for the year ended 31 December 1999.

Principal activity

The Company's principal activity during the year has been the ownership and operation of a hotel property, trading under the name of Mandarin Oriental Hyde Park, London. The hotel has undergone an extensive refurbishment programme in the year and this will continue into 2000. The programme necessitated the temporary closure of the hotel from 21 November 1999 for a period of approximately 5 months.

The Company changed its name on 13 August 1999 to Mandarin Oriental Hyde Park Limited.

Results and dividends

The loss on ordinary activities after taxation for the year was £5,183,000 (1998: £394,000 profit). The Directors do not recommend the payment of a dividend for the year on the ordinary shares (1998: £nil), but on the preference shares, a dividend of £87,000 (1998: £87,000) is declared. The loss of £5,270,000 (1998: £307,000 profit) has been withdrawn from reserves.

Directors and their interests

The Directors who held office during the year were:

S M Burnett	(resigned 17 September 1999)
P R Cowern	(appointed 17 September 1999)
J F Hale	(resigned 31 May 1999)
B E Williams	

Mr P R Cowern resigned as a director on 26 May 2000. Mr L R Lambert and Mr J R Witt were appointed as directors on 11 January 2000 and 1 June 2000 respectively.

According to the register of directors' interests kept by the Company under Section 325 of the Companies Act 1985, none of the Directors had a notifiable interest in shares in, or debentures of, the Company or any other company in the Group at the end of the financial year. None of the Directors (or relevant connected persons) were granted or exercised any rights to subscribe for shares in, or debentures of, the Company or any other company in the same Group which were required to be notified to the Company during the financial year.

Year 2000

To date no problems have been encountered with regards to Year 2000. Although the hotel was closed at 1 January 2000 all significant systems and equipment have been tested. They will continue to be monitored for any date-change related errors. Much of the hotel's older equipment is being replaced during the early part of 2000 as part of the refurbishment programme.

Mandarin Oriental Hyde Park Limited
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Directors' Report for the Year Ended 31 December 1999 (Continued)

Suppliers

The Company continued, as in past years, to negotiate with suppliers the best available terms with regard to quality, delivery, price and settlement terms. The Company has honoured and will continue to honour its proper obligations and pay its creditors on the dates negotiated in purchase orders. Trade and other creditors are normally settled within 45 days from the date liabilities are incurred. Trade creditors at the year end represented 12 days (1998: 80 days) of purchases. The figure was high for 1998 due to the inclusion of a large refurbishment invoice in the purchase ledger at 31 December 1998.

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 of the Company for that year. 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.


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

The auditors, PricewaterhouseCoopers, will continue in office pursuant to the elective resolution passed on 14 November 1996.

By Order of the Board

Matheson & Co., Limited
Secretaries



Andrew Bartlett
Deputy Secretary

30 June 2000

Auditors' Report to the Shareholders of Mandarin Oriental Hyde Park Limited

(formerly The Hyde Park Hotel Limited)

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom 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 is not disclosed.

We read the other information contained in the Annual 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 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 at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
1 Embankment Place
London
WC2N 6NN

30 June 2000

Mandarin Oriental Hyde Park Limited
(formerly The Hyde Park Hotel Limited)

Profit and Loss Account
for the Year Ended 31 December 1999

		Year ended 31 December 1999	Year ended 31 December 1998 (restated)
	Note	£'000	£'000
Turnover	2	11,190	14,477
Operating costs		(12,878)	(13,515)
Operating (loss) / profit	2	(1,688)	962
Exceptional items: loss on disposal of fixed assets	4	(1,925)	-
(Loss) / profit on ordinary activities before interest and taxation		(3,613)	962
Net interest payable	5	(1,570)	(543)
(Loss) / profit on ordinary activities before taxation		(5,183)	419
Taxation on profit on ordinary activities	6	-	(25)
(Loss) / profit on ordinary activities after taxation		(5,183)	394
Non-equity dividends	7	(87)	(87)
(Loss) / profit for the financial year	14, 15	(5,270)	307

Statement of Total Recognised Gains and Losses
for the Year Ended 31 December 1999

The Company had no recognised gains or losses during the year other than those reflected in the above profit and loss account.

Note of Historical Cost Profit and Losses
for the Year Ended 31 December 1999

There is no material difference between the reported profits for the year and those that would be reported under the historical cost convention.

The notes on pages 6 to 14 form an integral part of these financial statements

Mandarin Oriental Hyde Park Limited
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Balance Sheet as at 31 December 1999

		1999	1998
	Note	£'000	(restated) £'000
Fixed assets			
Tangible assets	8	116,097	101,013
Current assets			
Stocks	9	222	284
Debtors	10	6,794	5,792
Cash at bank and in hand		405	57
		7,421	6,133
Creditors : amounts falling due within one year	11	(11,878)	(12,822)
Net current liabilities		(4,457)	(6,689)
Total assets less current liabilities		111,640	94,324
Creditors : amounts falling due after more than one year	12	(23,681)	(1,095)
Net assets		87,959	93,229
Capital and reserves			
Called up share capital	13	6,072	6,072
Share premium account	14	83,928	83,928
Profit and loss account	14	(2,041)	3,229
Shareholder's funds	15	87,959	93,229
This is analysed as:			
Equity		86,380	91,650
Non-equity		1,579	1,579
		87,959	93,229

Approved by the Board on 30 June 2000



L R Lambert
Director

The notes on pages 6 to 14 form an integral part of these financial statements

Mandarin Oriental Hyde Park Limited

(formerly The Hyde Park Hotel Limited)

Notes to the Financial Statements - 31 December 1999

1 Accounting policies

The principal accounting policies are as follows:

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Turnover

Turnover represents amounts receivable for goods sold and services provided, excluding VAT and similar sales taxes.

(c) Depreciation

- (i) Properties & freehold improvements:** properties acquired during the year or which are in their first three years of operation and have not yet fully established their market position are stated at cost. Subsequently, independent valuations will be performed every three years on an open market existing use basis as fully operational business units. In the intervening years the Directors will review the carrying value of properties and make adjustments where there has been a material change. No depreciation is provided on freehold properties and improvements or on integral fixed plant. It is the Company's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time. Accordingly, the Directors consider that the lives of these assets and residual values (based on prices prevailing at the time of acquisition) are such that their depreciation is insignificant. The cost of maintenance and repairs of the properties is charged to the profit and loss account as incurred and the cost of significant improvements is capitalised.
- (ii) Other assets:** depreciation is provided on all other tangible fixed assets on a straight line basis over ten to fifteen years for plant and machinery, four to ten years for furniture and equipment and up to five years for information technology software and hardware.
- (iii) Construction in progress:** these assets are transferred to freehold improvements, plant and machinery and fixtures, fittings and equipment when the relevant stage of the refurbishment is complete. Depreciation is provided once these assets have been brought into use by the Company.

(d) Operating leases

Operating lease rentals are charged to the profit and loss account as incurred.

(e) Pensions

The cost of providing pensions and other post retirement benefits for employees in respect of defined contribution schemes is charged against the profit and loss account as incurred. Pension costs for the defined benefit scheme comprise the normal contributions for the period, determined according to actuarial advice where appropriate, together with appropriate proportions of actuarial deficiencies or surpluses, which are recognised over the average expected remaining service lives of the employees concerned.

Mandarin Oriental Hyde Park Limited

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Notes to the Financial Statements - 31 December 1999

1 Accounting policies (Continued)

(f) Deferred taxation

Provision is made for deferred taxation arising from timing differences between profits as computed for taxation purposes and profits as stated in the financial statements, under the liability method to the extent that the liability will be payable in the foreseeable future.

(g) Stocks

Stocks consist of raw materials and consumables and are stated at the lower of cost and net realisable value. Consumables are not accounted for as stocks, but charged to the profit and loss account as purchased.

(h) Segmental information

The turnover and trading results are attributable to the Company's sole business of owning and operating the Mandarin Oriental Hyde Park Hotel, London. All the Company's turnover relates to continuing operations and originates in the United Kingdom.

2 Operating (loss)/profit

	Year ended 31 December 1999 £'000	Year ended 31 December 1998 £'000
Turnover	11,190	14,477
Cost of sales	(5,612)	(5,847)
Gross profit	5,578	8,630
Selling and distribution costs	(1,200)	(1,755)
Administration expenses	(795)	(960)
Other operating expenses	(5,271)	(4,953)
Operating (loss)/profit	(1,688)	962

Operating (loss)/profit is stated after charging/(crediting) the following:

	Year ended 31 December 1999 £'000	Year ended 31 December 1998 £'000
Staff costs (Note 3a)	4,425	4,548
Profit on sale of fixed assets	-	(4)
Auditors' remuneration - audit fees	26	38
- other fees	7	-
Depreciation	2,160	1,742
Operating lease rentals - other	42	46

Mandarin Oriental Hyde Park Limited
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Notes to the Financial Statements - 31 December 1999

3 Staff costs

Particulars of employee costs (including directors) are as shown below:

(a) Staff costs during the year amounted to:

	Year ended 31 December 1999 £'000	Year ended 31 December 1998 £'000
Wages and salaries	4,104	4,197
Social security costs	292	316
Other pension costs	29	35
	<hr/> 4,425	<hr/> 4,548

(b) The average number of employees during the year was as follows:

	Year ended 31 December 1999 £'000	Year ended 31 December 1998 £'000
Sales	6	8
Management	23	28
Other	143	143
	<hr/> 172	<hr/> 179

(c) Directors' remuneration during the year was as follows:

	Year ended 31 December 1999 £'000	Year ended 31 December 1998 £'000
Aggregate emoluments	224	232
Pension contributions	1	2
	<hr/> 225	<hr/> 234

Retirement benefits are accruing to no director (1998: one) under a defined contribution scheme.

(d) Highest paid director

	Year ended 31 December 1999 £'000	Year ended 31 December 1998 £'000
Aggregate emoluments	202	189

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Notes to the Financial Statements - 31 December 1999

4 Exceptional items

	Year ended 31 December 1999 £'000	Year ended 31 December 1998 £'000
Loss on disposal of fixed assets	1,925	-

The loss on disposal of fixed assets relates to plant & machinery and fixtures, fittings & equipment acquired at a cost of £6,253,000 from Forte that were not fully depreciated when replaced as part of the hotel refurbishment programme. No tax impact is considered to be attributable to this loss.

5 Net interest payable

	Year ended 31 December 1999 £'000	Year ended 31 December 1998 (restated) £'000
Interest receivable	(27)	(19)
Interest payable – immediate parent undertaking	1,572	495
Other interest payable	25	67
	1,570	543

The prior year adjustment in respect of intercompany interest payable is detailed in note 14.

6 Taxation on profit on ordinary activities

The tax charge is based on profits for the year and comprises:

	Year ended 31 December 1999 £'000	Year ended 31 December 1998 £'000
UK corporation tax charge at 30% (1998: 31.5%)	-	31
Over-provision in the prior year	-	(6)
	-	25

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Notes to the Financial Statements - 31 December 1999

7 Non-equity dividends

	Year ended 31 December 1999 £'000	Year ended 31 December 1998 £'000
Dividend on cumulative participating redeemable preference shares	87	87

8 Tangible fixed assets

	Freehold land and buildings £'000	Construction in progress £'000	Freehold improvements £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost						
At 1 January 1999	79,800	2,077	9,193	2,681	11,319	105,070
Additions	-	19,198	-	-	-	19,198
Transfers	-	(16,742)	12,167	18	4,557	-
Reclassifications	-	-	2,393	-	(2,393)	-
Disposals	-	-	-	(2,179)	(4,074)	(6,253)
At 31 December 1999	79,800	4,533	23,753	520	9,409	118,015
Accumulated depreciation						
At 1 January 1999	-	-	-	804	3,253	4,057
Charge for the year	-	-	-	324	1,836	2,160
Disposals	-	-	-	(944)	(3,355)	(4,299)
At 31 December 1999	-	-	-	184	1,734	1,918
Net book value						
At 31 December 1999	79,800	4,533	23,753	336	7,675	116,097
At 31 December 1998	79,800	2,077	9,193	1,877	8,066	101,013

9 Stocks

	Year ended 31 December 1999 £'000	Year ended 31 December 1998 £'000
Raw materials and consumables	222	284

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Notes to the Financial Statements - 31 December 1999

10 Debtors

	Year ended 31 December 1999 £'000	Year ended 31 December 1998 £'000
Trade debtors	247	682
Amounts owed by parent undertaking	4,736	4,736
Amount owed by other group undertakings	25	-
Other debtors and prepayments	1,786	374
	<hr/> 6,794	<hr/> 5,792

11 Creditors: amounts falling due within one year

	Year ended 31 December 1999 £'000	Year ended 31 December 1998 £'000
Trade creditors	112	1,278
Bank loans and overdrafts	-	1,430
Amounts owed to parent and other group undertakings	9,546	9,546
Other creditors and accruals	2,129	440
UK corporation tax payable	8	25
Other taxation and social security	83	103
	<hr/> 11,878	<hr/> 12,822

12 Creditors: amounts falling due in more than one year

	Year ended 31 December 1999 £'000	Year ended 31 December 1998 (restated) £'000
Amounts owed to parent undertaking	23,681	1,095

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Notes to the Financial Statements - 31 December 1999

13 Called-up share capital

	Year ended 31 December 1999 £'000	Year ended 31 December 1998 £'000
Authorised:		
24,000,000 Ordinary shares of 25p each	6,000	6,000
10,000,000 Cumulative Participating Redeemable Preference shares of 25p each	2,500	2,500
	<hr/> 8,500	<hr/> 8,500
Allotted and fully paid:		
17,973,935 Ordinary shares of 25p each (Equity)	4,493	4,493
6,315,166 Cumulative Participating Redeemable Preference shares of 25p each (Non-equity)	1,579	1,579
	<hr/> 6,072	<hr/> 6,072

The Cumulative Participating Redeemable Preference Shares ("CPRP shares") are redeemable at par in whole or in part by the holders or the Company at any time on or after 14 August 1999. The Company will redeem any shares left in issue on 15 August 2001. The CPRP shares carry a fixed dividend of 5.4873% per annum and a participating dividend of 0.04% of the dividend paid on Ordinary shares. On a winding up the holders are entitled to receive arrears and accruals of dividends, the nominal value of the shares and a further 0.04% of the assets of the company available for distribution, subject to a maximum of 30p per share. The CPRP shares only carry voting rights in the event that dividends remain unpaid, on a winding up or in relation to a resolution to vary the special rights attaching the CPRP shares.

14 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 1999 (as previously stated)	83,928	3,724
Prior year adjustment – interest payable to immediate parent undertaking	-	(495)
At 1 January 1999 (restated)	83,928	3,229
Loss for the financial year	-	(5,270)
At 31 December 1999	<hr/> 83,928	<hr/> (2,041)

The prior year adjustment for intercompany interest is to reflect interest payable on loans made to the Company by its immediate parent undertaking for the purpose of renovating its hotel.

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Notes to the Financial Statements - 31 December 1999

15 Reconciliation of movements in shareholders' funds

	Year ended 31 December 1999 £'000	Year ended 31 December 1998 (restated) £'000
(Loss)/profit for the year	(5,183)	394
Dividends	(87)	(87)
(Withdrawn from)/ transferred to reserves	(5,270)	307
Shareholders' funds at 1 January	93,229	92,922
Shareholders' funds at 31 December	87,959	93,229

The restatement for the year ended 31 December 1998 is detailed in note 14.

16 Capital commitments

Amounts contracted but not provided for in the financial statements at 31 December 1999 amount to £15,551,000 (1998 - £13,874,000).

17 Deferred taxation

The Directors have concluded that there is no material liability to deferred taxation and accordingly no provision has been included in the accounts.

The potential asset/(liability) for deferred taxation is shown below:

	Year ended 31 December 1999 £'000	Year ended 31 December 1998 £'000
Accelerated capital allowances	121	(1,046)
Other timing differences	3	8
	124	(1,038)

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Notes to the Financial Statements - 31 December 1999

18 Operating lease commitments

Annual commitments under other operating leases expiring in each year are as follows:

	1999 £'000	1998 £'000
Expiring within one year	20	18
Expiring between one and five years	6	28
	<hr/> 26	<hr/> 46

19 Cash flow statement

The financial statements of Mandarin Oriental Hyde Park (Investment) Limited for the year ended 31 December 1999 contain a consolidated Statement of Cash Flows. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996).

20 Ultimate parent undertaking

The immediate parent undertaking is Mandarin Oriental Hyde Park (Investment) Limited, formerly Mandarin Oriental Hyde Park Limited, a company incorporated in England and Wales, which changed its name on 13 August 1999.

The ultimate parent undertaking is Jardine Matheson Holdings Limited, a company incorporated in Bermuda.

The largest and smallest Groups for which group accounts are prepared, and of which the Company is a member are Jardine Matheson Holdings Limited incorporated in Bermuda, and Mandarin Oriental Hyde Park (Investment) Limited, incorporated in England and Wales, respectively. Copies of the accounts for both of these groups can be obtained from Matheson & Co. Limited, St Helen's, 1 Undershaft, London, EC3A 8JX.

21 Pension commitments

The Company contributes to a defined contribution group personal pension scheme for certain of its employees. Contributions are charged to the profit and loss account in the year to which they relate. The cost of contributions to the group scheme amount to £29,000 (1998: £35,000).

Executives of the Company participate in the Mandarin Oriental Hotel Group Senior Executive Staff Retirement Plan ("the Plan"), which is a defined benefit group scheme. There is an actuarial valuation of the Plan by an independent actuary which assumes a 1% spread between investment returns and annual salary increase of participants. The Plan's existing assets are sufficient to cover its potential pension liabilities. Accordingly, no contributions were required in 1999.