

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

Directors' Report and Financial Statements
For the Year Ended 31 December 2003



Mandarin Oriental Hyde Park Limited

Directors' Report for the Year Ended 31 December 2003

The directors present their report and the audited financial statements for the year ended 31 December 2003.

Principal activity

The company's principal activity is the ownership and operation of a hotel trading under the name of Mandarin Oriental Hyde Park.

Review of the business and future developments

The directors intend to continue with the principal activity of the company.

Results and dividends

The loss on ordinary activities after taxation for the year was £2,158,000 (2002: £2,143,000). The directors do not recommend the payment of a dividend for the year on the ordinary shares (2002: £nil), but on the preference shares, a dividend of £87,000 (2002: £87,000) has been appropriated. The loss of £2,245,000 (2002: £2,230,000) has been taken to reserves.

Directors and their interests

The directors who held office during the year were:

L R Lambert
J R Witt

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.

The company has taken advantage of the exemption provided by The Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985 not to disclose directors' interests in shares in, or debentures of, its foreign company parent or overseas group companies.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their department and of the company as a whole. Communication with all employees continues through company bulletins, briefing groups and group newsletters.

Mandarin Oriental Hyde Park Limited

Directors' Report for the Year Ended 31 December 2003 (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 37 days (2002: 30 days) of purchases.

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

Pricewaterhouse Coopers LLP have expressed their willingness to continue in office as auditors and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Matheson & Co., Limited
Secretaries



Anita Sebastian
Deputy Secretary

28 June 2004

Independent Auditors' Report to the Members of Mandarin Oriental Hyde Park Limited

We have audited the financial statements on pages 4 to 15 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' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 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.

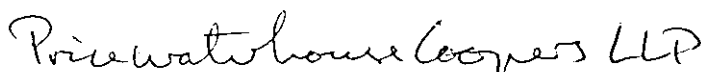
Basis of audit opinion

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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

28 June 2004

Mandarin Oriental Hyde Park Limited

Profit and Loss Account for the Year Ended 31 December 2003

		Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
	<i>Note</i>		
Turnover	2	28,444	27,786
Operating costs		(25,884)	(25,318)
Operating profit	2	2,560	2,468
Net interest payable	4	(4,726)	(4,611)
Loss on ordinary activities before taxation		(2,166)	(2,143)
Taxation on loss on ordinary activities	5	8	-
Loss on ordinary activities after taxation		(2,158)	(2,143)
Non-equity dividends appropriated	6	(87)	(87)
Loss for the financial year	13,14	(2,245)	(2,230)

All amounts relate to continuing operations.

Statement of Total Recognised Gains and Losses for the Year Ended 31 December 2003

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

The notes on pages 6 to 15 form an integral part of these financial statements

Mandarin Oriental Hyde Park Limited

Balance Sheet as at 31 December 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	7	125,468	128,313
Current assets			
Stocks	8	253	320
Debtors	9	6,472	6,495
Cash at bank and in hand		3,599	4,537
		10,324	11,352
Creditors: amounts falling due within one year	10	(3,688)	(3,127)
Net current assets		6,636	8,225
Total assets less current liabilities		132,104	136,538
Creditors: amounts falling due after more than one year	11	(62,280)	(64,469)
Net assets		69,824	72,069
Capital and reserves			
Called up share capital	12	6,072	6,072
Share premium account	13	83,928	83,928
Profit and loss account	13	(20,176)	(17,931)
Shareholders' funds	14	69,824	72,069
This is analysed as:			
Equity		68,245	70,490
Non-equity		1,579	1,579
		69,824	72,069

Approved by the Board on 28 June 2004 and signed on its behalf by:



L R Lambert
Director

The notes on pages 6 to 15 form an integral part of these financial statements

Mandarin Oriental Hyde Park Limited

Notes to the Financial Statements - 31 December 2003

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. The company has also continued to adopt the transitional disclosure requirements of FRS 17, 'Retirement Benefits'.

(b) Turnover

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

(c) Depreciation

Depreciable fixed assets are written off on a straight-line basis over their estimated useful economic lives, as follows:

- (i) **Freehold land:** freehold land is not depreciated and the directors do not intend to apply a policy of revaluation.
- (ii) **Freehold buildings & improvements:** assets in the freehold buildings & improvements categories are separately identified as either building core or building surfaces, finishes & services, which are depreciated over 100 years and 25-30 years respectively. In addition, the directors do not intend to apply a policy of revaluation. 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.
- (iii) **Other assets:** depreciation is provided over periods ranging from 10 to 15 years for plant & machinery, 4 to 10 years for fixtures, furniture & equipment and up to 5 years for information technology software & hardware.
- (iv) **Construction in progress:** these assets are transferred to freehold improvements, plant & machinery and fixtures, fittings & equipment as appropriate 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

Notes to the Financial Statements - 31 December 2003

1 Accounting policies (Continued)

(f) Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(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 a hotel in London trading under the name of the Mandarin Oriental Hyde Park. All the company's turnover originates in the United Kingdom.

(i) Foreign exchange

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the rate at the date of the transaction. All exchange differences arising are dealt with through the profit and loss account.

Mandarin Oriental Hyde Park Limited

Notes to the Financial Statements - 31 December 2003

2 Operating profit

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Turnover	28,444	27,786
Cost of sales	(15,708)	(15,231)
Gross profit	12,736	12,555
Selling and distribution costs	(1,364)	(1,412)
Administration expenses	(2,300)	(2,307)
Other operating expenses	(6,512)	(6,368)
Operating profit	2,560	2,468

Operating profit is stated after charging the following:

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Staff costs (Note 3a)	9,453	8,876
Auditors' remuneration - audit fees	27	27
- other fees	54	71
Loss on disposal of fixed assets	57	-
Depreciation	4,153	4,005
Operating lease rentals - other	26	29

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 2003 £'000	Year ended 31 December 2002 £'000
Wages and salaries	8,628	8,121
Social security costs	799	733
Other pension costs	26	22
	9,453	8,876

Mandarin Oriental Hyde Park Limited

Notes to the Financial Statements - 31 December 2003

3 Staff costs (continued)

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

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Sales	10	10
Management	31	28
Other	342	308
	<u>383</u>	<u>346</u>

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

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Aggregate emoluments	372	315
Pension contributions	-	-
	<u>372</u>	<u>315</u>

No retirement benefits are accruing to directors (2002: none) under a defined contribution scheme.

(d) Highest paid director

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Aggregate emoluments	372	315

4 Net interest payable

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Interest receivable	(66)	(57)
Interest payable – immediate parent undertaking	4,792	4,661
Other interest payable	-	7
	<u>4,726</u>	<u>4,611</u>

Mandarin Oriental Hyde Park Limited

Notes to the Financial Statements - 31 December 2003

5 Taxation on loss on ordinary activities

The (credit)/charge for taxation is based upon the taxable loss for the year and comprises:

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Tax on loss on ordinary activities:		
Analysis of (credit)/charge for the period		
Current tax		
UK corporation tax on profits for the period	-	-
Adjustments in respect of previous periods	(8)	-
Total current tax	(8)	-
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Tax on loss on ordinary activities	(8)	-

Factors affecting tax (credit)/charge for the period:

The tax assessed for the period differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Loss on ordinary activities before tax	(2,166)	(2,143)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	(650)	(643)
Effects of:		
Expenses not deductible for tax purposes	248	221
Deferred tax movement not recognised	332	422
Group relief surrendered not paid for	70	-
Adjustments in respect of previous periods	(8)	-
Current tax (credit)/charge	(8)	-

Mandarin Oriental Hyde Park Limited

Notes to the Financial Statements - 31 December 2003

6 Non-equity dividends

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Dividend on cumulative participating redeemable preference shares	87	87

7 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 31 December 2002	79,800	-	41,473	7,443	13,774	142,490
Additions	-	1,365	-	-	-	1,365
Transfers	-	(1,365)	304	4	1,057	-
Disposals	-	-	-	-	(147)	(147)
At 31 December 2003	79,800	-	41,777	7,447	14,684	143,708
Accumulated depreciation						
At 31 December 2002	1,835	-	2,872	2,055	7,415	14,177
Charge for the year	521	-	885	733	2,014	4,153
Disposals	-	-	-	-	(90)	(90)
At 31 December 2003	2,356	-	3,757	2,788	9,339	18,240
Net book value						
At 31 December 2003	77,444	-	38,020	4,659	5,345	125,468
At 31 December 2002	77,965	-	38,601	5,388	6,359	128,313

8 Stocks

	2003 £'000	2002 £'000
Raw materials and consumables	253	320

Mandarin Oriental Hyde Park Limited

Notes to the Financial Statements - 31 December 2003

9 Debtors

	2003 £'000	2002 £'000
Trade debtors	1,306	1,161
Amounts owed by parent undertaking	4,736	4,736
Amount owed by other group undertakings	42	84
Other debtors and prepayments	388	514
	<hr/> 6,472	<hr/> 6,495

10 Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Trade creditors	1,241	1,018
Amounts owed to parent and other group undertakings	448	373
Other creditors and accruals	1,732	1,479
UK corporation tax payable	-	8
Other taxation and social security	267	249
	<hr/> 3,688	<hr/> 3,127

11 Creditors: amounts falling due in more than one year

	2003 £'000	2002 £'000
Amounts owed to parent undertaking	62,280	64,469

Included in the amounts owed to parent undertaking is £624,000 (2002: £537,000) in respect of cumulative preference share dividends appropriated which cannot yet be settled due to the deficit on reserves. Other amounts owed to parent undertaking bear interest at LIBOR plus a margin of not more than 3.5% and are repayable on 31 December 2007.

12 Called-up share capital

	2003 £'000	2002 £'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

Mandarin Oriental Hyde Park Limited

Notes to the Financial Statements - 31 December 2003

12 Called-up share capital (continued)

	2003 £'000	2002 £'000
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
	<u>6,072</u>	<u>6,072</u>

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 2004. The company will redeem any shares left in issue on 15 August 2006. 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 to the CPRP shares.

13 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2003	83,928	(17,931)
Loss for the financial year	-	(2,245)
At 31 December 2003	<u>83,928</u>	<u>(20,176)</u>

14 Reconciliation of movements in shareholders' funds

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Loss for the year	(2,158)	(2,143)
Dividends	(87)	(87)
Taken to reserves	(2,245)	(2,230)
Shareholders' funds at 1 January	<u>72,069</u>	<u>74,299</u>
Shareholders' funds at 31 December	<u>69,824</u>	<u>72,069</u>

Mandarin Oriental Hyde Park Limited

Notes to the Financial Statements - 31 December 2003

15 Capital commitments

There were no amounts contracted but not provided for in the financial statements at 31 December 2003 (2002: £90,000).

16 Deferred taxation

The potential asset for deferred taxation which has not been recorded is shown below:

	2003 £'000	2002 £'000
Accelerated capital allowances	2,091	(5,700)
Losses	3,251	11,200
	5,342	5,500

No amount has been recognised in respect of this net potential deferred tax asset at this stage on the basis that it is not considered more likely than not that there will be suitable taxable profits in the foreseeable future against which to offset the reversal of the underlying timing differences.

17 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 amounted to £26,000 (2002: £22,000).

Certain senior executives of the company participate in the Mandarin Oriental Hotel Group Senior Executive Staff Retirement Plan ("the Plan"), which is a funded 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 the annual salary increase of participants. The Plan's existing assets are sufficient to cover its potential pension liabilities. Details of the latest actuarial valuation of the Plan are given in the accounts of Mandarin Oriental International Limited. Defined benefit accounting has not been applied in respect of the Plan as the company is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis.

18 Operating lease commitments

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

	2003 £'000	2002 £'000
Expiring within one year	14	15
Expiring between two and five years	18	9
	32	24

Mandarin Oriental Hyde Park Limited

Notes to the Financial Statements - 31 December 2003

19 Cash flow statement

The financial statements of Mandarin Oriental Hyde Park (Investment) Limited for the year ended 31 December 2003 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 FRS 1 (Revised 1996).

20 Related party transactions

As a wholly owned subsidiary of Mandarin Oriental International Limited, the company has taken advantage of the exemption of FRS 8, 'Related Party Transactions', not to disclose related party transactions with other greater than 90% owned members of the Mandarin Oriental Group.

21 Ultimate parent undertaking

The company is owned and controlled by its immediate parent undertaking, Mandarin Oriental Hyde Park (Investment) Limited, a company incorporated in England and Wales. Its publicly quoted parent undertaking is Mandarin Oriental International Limited, a company incorporated in Bermuda.

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, respectively, Jardine Matheson Holdings Limited incorporated in Bermuda, and Mandarin Oriental Hyde Park (Investment) Limited, incorporated in England and Wales. Copies of the accounts for both of these groups can be obtained from Matheson & Co. Limited, St Helen's, 1 Undershaft, London, EC3A 8JX.