

The Malmaison Hotel (Leeds) Limited

**Directors' report and financial
statements**

Registered number 3323049

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 is engaged in hotel management and ownership. The results for the year 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 a final dividend of £1,200,000 (2001: £989,731).

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	

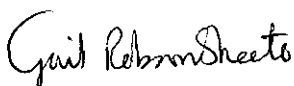
None of the directors who held office at 30 June 2002 had any interest in the share capital of the Company. The interests of J Singh in the share capital of the ultimate holding company, Marylebone Warwick Balfour Group Plc, are disclosed in the financial statements of that company.

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 The Malmaison Hotel (Leeds) Limited

We have audited the financial statements on pages 4 to 11.

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 £
Turnover	2	4,114,751	5,689,295
Cost of sales		(2,841,860)	(3,224,478)
Gross profit		1,272,891	2,464,817
Administrative expenses		(242,502)	(1,095,489)
Operating profit		1,030,389	1,369,328
Interest payable and similar charges	4	-	(465,646)
Profit on ordinary activities before taxation	5	1,030,389	903,682
Tax on profit on ordinary activities	6	-	-
Profit for the financial year		1,030,389	903,682
Dividends proposed		(1,200,000)	(989,731)
Loss for the financial year	12	(169,611)	(86,049)

All activities are continuing.

Balance sheet
at 30 June 2002

	<i>Note</i>	2002 £	2001 £
Fixed assets			
Tangible assets	7	<u>14,040,076</u>	<u>14,250,000</u>
Current assets			
Stocks		32,098	49,210
Debtors	8	182,729	1,473,051
Cash at bank and in hand		<u>62,535</u>	<u>-</u>
		277,362	1,522,261
Creditors: amounts falling due within one year	9	<u>(11,713,161)</u>	<u>(13,118,215)</u>
Net current liabilities		<u>(11,435,799)</u>	<u>(11,595,954)</u>
Total assets less current liabilities		<u>2,604,277</u>	<u>2,654,046</u>
Net assets		<u>2,604,277</u>	<u>2,654,046</u>
Capital and reserves			
Called up share capital	11	1	1
Revaluation reserve	12	2,497,518	2,423,876
Profit and loss account	12	<u>106,758</u>	<u>230,169</u>
Equity shareholders' funds	12	<u>2,604,277</u>	<u>2,654,046</u>

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



Statement of total recognised gains and losses
for the year ended 30 June 2002

	<i>Note</i>	Year ended 30 June 2002 £	18 months ended 30 June 2001 £
Profit for the financial year	12	1,030,389	903,682
Unrealised surplus on revaluation of properties	12	119,842	2,318,677
Total recognised gains and losses relating to the financial year		1,150,231	3,222,359

Note of historical cost profits and losses
for the year ended 30 June 2002

	Year ended 30 June 2002 £	18 months ended 30 June 2001 £
Reported profit on ordinary activities before taxation	1,030,389	903,682
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	46,200	22,356
Historical cost profit on ordinary activities before taxation	1,076,589	926,038
Historical cost profit on ordinary activities after taxation and dividends	(123,411)	(63,693)

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 accounting

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.

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).

Depreciation

Depreciation is provided on tangible fixed assets on a straight line basis in order to write off the cost less residual value over their expected useful lives. Depreciation is provided in the month following that in which the hotel opens and applied over the following useful lives:

	Pre 3 November 2000	Post 3 November 2000
Freehold land	35 years	-
Freehold buildings	35 years	50 years
Building surface finishes and services	35 years	25 years
Furniture, fittings and equipment	3-6 years	5-15 years

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 not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Deferred tax is measured on a non-discounted basis.

The change in policy has no effect on comparatives for earlier periods.

Notes (continued)

2 Turnover

Turnover, which is wholly generated within the United Kingdom, represents the sales value of work done in respect of hotel management during the period and is exclusive of value added tax.

3 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was:

	2002	2001
Directors	-	-
Hotel administration	84	82
	<u>84</u>	<u>82</u>

	2002 £	2001 £
Salaries	1,039,814	1,297,615
Social security costs	92,030	122,360
Pension contributions	4,578	7,874
	<u>1,136,422</u>	<u>1,427,849</u>

4 Interest payable and similar charges

	2002 £	2001 £
Interest payable on bank loans	-	465,646
	<u>-</u>	<u>465,646</u>

5 Profit on ordinary activities before taxation

	2002 £	2001 £
This is stated after charging the following:		
Auditor's remuneration for:		
Audit	-	-
Depreciation	208,159	662,740
	<u>208,159</u>	<u>662,740</u>

Audit fees were borne by another group company.

Notes (continued)

6 Tax on profit on ordinary activities

The tax charge on the profits 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:-

	2002 £	2001 £
UK Corporation tax at 30% on company profits before tax	309,117	271,105
Sundry permanent differences	-	2,249
Excess of depreciation over capital allowances	62,488	198,822
Group relief available from other group companies for no consideration	(371,605)	(472,176)
	<hr/>	<hr/>
Total corporation tax charged in the profit and loss account	-	-
	<hr/>	<hr/>

The Company has approximately £845,000 of tax losses available to carry forward.

7 Tangible fixed assets

	Freehold land and buildings £	Fixtures and fittings £	Total £
Cost or valuation			
As at 1 July 2001	12,857,980	1,514,735	14,372,715
Additions	-	38,433	38,433
Revaluation surplus	(57,980)	-	(57,980)
	<hr/>	<hr/>	<hr/>
As at 30 June 2002	12,800,000	1,553,168	14,353,168
	<hr/>	<hr/>	<hr/>
Depreciation			
As at 1 July 2001	-	122,715	122,715
Charge for year	177,822	190,377	368,199
Revaluation surplus	(177,822)	-	(177,822)
	<hr/>	<hr/>	<hr/>
As at 30 June 2002	-	313,092	313,092
	<hr/>	<hr/>	<hr/>
Net book value at 30 June 2002	12,800,000	1,240,076	14,040,076
	<hr/>	<hr/>	<hr/>
Net book value at 30 June 2001	12,857,980	1,392,020	14,250,000
	<hr/>	<hr/>	<hr/>
Depreciated historical cost at 30 June 2002	10,940,620	601,938	11,542,558
	<hr/>	<hr/>	<hr/>
Depreciated historical cost at 30 June 2001	11,121,788	704,336	11,826,124
	<hr/>	<hr/>	<hr/>

The Company's fixed assets were valued on the basis of open market value at 30 June 2002 by DTZ Debenham Tie Leung Chartered Surveyors. The valuation was carried out in accordance with the appraisal and valuation manual published by the Royal Institution of Chartered Surveyors.

Notes (continued)

8 Debtors

	2002 £	2001 £
Trade debtors	104,641	133,352
Amounts owed by group undertakings	-	1,281,341
Other debtors	14,408	16,336
Prepayments and accrued income	63,680	42,022
	<u>182,729</u>	<u>1,473,051</u>

9 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank overdraft	-	99,140
Trade creditors	78,413	53,758
Amounts owed to other group undertakings	11,412,702	12,679,988
Other creditors	88,921	88,346
Accruals and deferred income	133,125	196,983
	<u>11,713,161</u>	<u>13,118,215</u>

10 Deferred taxation

The deferred taxation balances at 30 June 2002 arose as follows:-

	Amount provided 2002 £	Amount not provided 2002 £	Amount provided 2001 £	Amount not provided 2001 £
Accelerated capital allowances	-	(37,405)	-	(109,174)
Potential tax on property valuation surplus	-	335,602	-	180,495
	<u>-</u>	<u>298,197</u>	<u>-</u>	<u>71,321</u>

No deferred tax has been provided in respect of the excess of the hotel's valuation at 30 June 2002 over its original cost as the Company does not intend to dispose of the asset in the foreseeable future.

A deferred tax asset has not been recognised in respect of the accelerated capital allowances because the Company does not anticipate taxable profits arising in the near future due to the availability of group relief provided by other group companies for no consideration.

Notes (continued)

11 Called up share capital

	2002 £	2001 £
<i>Authorised</i>		
100 Ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
1 Ordinary shares of £1	1	1
	<hr/>	<hr/>

12 Reconciliation of movements in shareholders' funds

	Share capital £	Revaluation reserve £	Profit and loss £	Shareholders' funds £
As at 1 July 2001	1	2,423,876	230,169	2,654,046
Loss for the year	-	-	(169,611)	(169,611)
Revaluation surplus	-	119,842	-	119,842
Transfer of depreciation on revalued tangible fixed assets	-	(46,200)	46,200	-
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2002	1	2,497,518	106,758	2,604,277
	<hr/>	<hr/>	<hr/>	<hr/>

13 Immediate and ultimate parent companies

The immediate parent company is Malmaison 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.