

**REGISTRAR OF
COMPANIES**

2003-04

Havana Holdings (UK) Limited

Report and Financial Statements

Period Ended

31 December 2003



BDO Stoy Hayward
Chartered Accountants



Havana Holdings (UK) Limited

Report and financial statements for the period ended 31 December 2003

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Directors

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Directors

M A Cairns
J O'Shea
S Moatassem
J Rea

Secretary and registered office

S Moatassem, Media House, 93 Park Lane, London W1Y 3TA.

Company number

3513344

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL.

Havana Holdings (UK) Limited

Report of the directors for the period ended 31 December 2003

The directors present their report together with the audited financial statements for the period ended 31 December 2003.

Results and dividends

The profit and loss account is set out on page 5 and shows the result for the period.

The directors do not recommend an ordinary dividend (2002 - £Nil).

Principal activities, trading review and future developments

The principal activity of the group consists of ownership of, and investments in hotels.

The company trades as an investment holding company. The company's principal investment is the Churchill Inter-Continental Hotel, Portman Square, London.

The directors were satisfied with the results in 2003 and they anticipate that they will achieve similar results in 2004.

Charitable and political contributions

During the period the group made charitable donations of £Nil (2002 - £Nil).

Post balance sheet events

During the period ended 31 December 2003, the Churchill hotel was managed by Inter-Continental Hotels and Resorts. On 1 May 2004 the Churchill changed management companies, to become managed by Hyatt, as the Hyatt Regency London - The Churchill.

Directors

The directors of the company during the period and their interests in the ordinary share capital of the company were:

M A Cairns
J O'Shea
S Moatassem
J Rea

No director had any beneficial interest in the ordinary shares of the company at any time during the period.

Employment of disabled persons

The nature of the group's business is such that the duties of the majority of employees can only be performed by able-bodied people. Disabled people are not discriminated against when applying for suitable posts. Every effort is made to transfer employees becoming disabled to suitable posts within the groups.

Employee involvement

The group's communications with employees are conducted informally through the established supervisory structure.

Havana Holdings (UK) Limited

Report of the directors for the period ended 31 December 2003 (*Continued*)

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group 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 departure 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 the group 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

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to re-appoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By order of the Board



S Moatassem

Secretary

Date 11/11/2004

Havana Holdings (UK) Limited

Report of the independent auditors

To the shareholders of Havana Holdings (UK) Limited

We have audited the financial statements of Havana Holdings (UK) Limited on pages 5 to 24 which have been prepared under the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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.

Havana Holdings (UK) Limited

Report of the independent auditors

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2003 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

Chartered Accountants

and Registered Auditors

London

11 November 2004

Havana Holdings (UK) Limited**Consolidated profit and loss account for the period ended 31 December 2003**

	Note	Period from 1 October 2002 to 31 December 2003 £'000	Year ended 30 September 2002 £'000
Turnover	2	29,191	23,489
Raw materials and consumables		(1,334)	(1,028)
Other external charges		(1,922)	(1,526)
Staff costs	3	(8,595)	(6,774)
Depreciation		(3,388)	(3,223)
Other operating charges		(7,004)	(5,408)
Operating profit	4	6,948	5,530
Interest receivable and similar income		210	187
Interest payable and similar charges	5	(8,557)	(7,182)
Loss on ordinary activities before taxation		(1,399)	(1,465)
Taxation on profit from ordinary activities	6	(518)	594
Loss on ordinary activities after taxation and retained for the period	15	(1,917)	(2,059)

All recognised gains and losses are included in the profit and loss account.
All amounts relate to continuing activities.

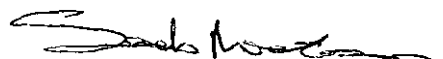
The notes on pages 9 to 24 form part of these financial statements.

Havana Holdings (UK) Limited

Consolidated balance sheet at 31 December 2003

	Note	31 December 2003 £'000	31 December 2003 £'000	30 September 2002 £'000	30 September 2002 £'000
Fixed assets					
Tangible assets	7		142,115		145,466
Current assets					
Stocks	9	383		382	
Debtors	10	3,833		3,801	
Cash at bank and in hand		5,721		4,573	
		<u>9,937</u>		<u>8,756</u>	
Creditors: amounts falling due within one year	11	7,980		7,500	
Net current assets			<u>1,957</u>		<u>1,256</u>
Total assets less current liabilities			<u>144,072</u>		<u>146,722</u>
Creditors: amounts falling due after more than one year	12	(96,512)		(97,475)	
Provision for liabilities and charges		(230)		-	
			<u>(96,742)</u>		<u>(97,475)</u>
			<u>47,330</u>		<u>49,247</u>
Capital and reserves					
Called up share capital	14		42,500		42,500
Share premium	15		5,000		5,000
Profit and loss account	15		(170)		1,747
Shareholders' funds - equity	16		<u>47,330</u>		<u>49,247</u>

The financial statements were approved by the Board on 11/11/2004



S Moatassem
Director

The notes on pages 9 to 24 form part of these financial statements.

Havana Holdings (UK) Limited

Balance sheet at 31 December 2003

	Note	31 December 2003 £'000	31 December 2003 £'000	30 September 2002 £'000	30 September 2002 £'000
Fixed assets					
Investments	8		72,838		72,838
Current assets					
Debtors	10	111,222		106,148	
Cash at bank and in hand		1,465		1,670	
		<u>112,687</u>		<u>107,818</u>	
Creditors: amounts falling due within one year	11	<u>59,082</u>		<u>49,947</u>	
Net current assets			<u>53,605</u>		<u>57,871</u>
Total assets less current liabilities			<u>126,443</u>		<u>130,709</u>
Creditors: amounts falling due after more than one year	12		<u>(96,512)</u>		<u>(97,475)</u>
			<u>29,931</u>		<u>33,234</u>
Capital and reserves					
Called up share capital	14		42,500		42,500
Share premium	15		5,000		5,000
Profit and loss account	15		(17,569)		(14,266)
Shareholders' funds - equity	16		<u>29,931</u>		<u>33,234</u>

The financial statements were approved by the Board on 11/11/2004



S Moatassem
Director

The notes on pages 9 to 24 form part of these financial statements.

Havana Holdings (UK) Limited

Consolidated cash flow statement for the period ended 31 December 2003

	Note	31 December 2003 £'000	31 December 2003 £'000	30 September 2002 £'000	30 September 2002 £'000
Net cash inflow from operating activities	21		11,627		8,705
Returns on investments and servicing of finance					
Interest received		210		187	
Interest paid		(8,557)		(5,972)	
Net cash outflow from returns on investment and servicing finance			(8,347)		(5,785)
Taxation					
UK Corporation tax			495		(706)
Capital expenditure					
Purchase of tangible fixed assets		(48)		(1,984)	
Sale of tangible fixed assets		11		-	
			(37)		(1,984)
Cash inflow before use of liquid resources and financing			3,738		230
Management of liquid resources					
Cash held on short term deposit	23		488		636
Financing					
Bank loans repaid		(4,000)		(5,500)	
Amounts advanced by parent company		1,409		5,466	
Net cash outflow from financing			(2,591)		(34)
Increase in cash	22		1,635		832

The notes on pages 9 to 24 form part of these financial statements.

Havana Holdings (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Consolidation

The consolidated financial statements incorporate the financial statements of Havana Holdings (UK) Limited and all of its subsidiaries. The results of companies acquired are included in the profit and loss account from the date of acquisition.

In accordance with the exemption allowed in Section 230 (3) of Companies Act 1985, a separate profit and loss account dealing with the results of the company has not been prepared. The group profit for the period includes a loss of £3,303,000 (2002 – loss of £2,603,000) which is dealt with in the financial statements of the company.

Turnover

Turnover represents the invoiced value of goods and services, exclusive of VAT, provided to customers of the Churchill Hotel, Portman Square, London.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, except for investment properties and freehold land evenly over their expected useful lives. It is calculated at the following rates:

Long leasehold land and buildings	- 50 years
Fixtures, fittings, tools and equipment	- 10 years

Stocks

Stocks are valued at the lower of cost and net realisable value.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

Havana Holdings (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003 (*Continued*)

1 Accounting policies (*Continued*)

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

Leased assets

Annual rentals on operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Pensions

Pension costs in respect of the group's defined benefit scheme are charged to the profit and loss account so as to spread the cost of pensions over the service lives of the employees in the scheme. Variations from the regular cost are spread over the remaining service lives of current employees in the scheme. The pension cost is assessed in accordance with the advice of a qualified actuary.

Discounted loan notes

The finance cost of discounted loan notes is calculated at a constant rate on the carrying amount such that the value of the initial proceeds from the loan notes and accrued interest will equal the value at which the loan notes are to be redeemed at the date of maturity.

Liquid resources

Liquid resources consist of amounts on deposit with a maturity of up to twelve months.

2 Turnover

Turnover represents the invoiced value of goods and services, exclusive of VAT, provided to customers of The Churchill Inter-Continental Hotel, Portman Square, London. All revenue is generated in the United Kingdom.

The directors consider the whole of the activities of the group to constitute a single class of business.

Havana Holdings (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003 (Continued)

3 Directors and employees

	Period from 1 October 2002 to 31 December 2003 £'000	Year ended 30 September 2002 £'000
Staff costs (including directors) consist of:		
Wages and salaries	7,099	5,522
Social security costs	526	372
Other pension costs	970	880
	<u>8,595</u>	<u>6,774</u>

The average number of employees during the period was 233 (2002 - 240).

The directors received fees of £93,750 (2002 - £75,000) during the period.

4 Operating profit

	Period from 1 October 2002 to 31 December 2003 £'000	Year ended 30 September 2002 £'000
This is arrived at after charging:		
Depreciation on fixed assets	3,388	3,223
Hire of other assets - operating leases	56	56
Auditors' remuneration - group audit services	43	31
	<u>3,487</u>	<u>3,310</u>

5 Interest payable and similar charges

	Period from 1 October 2002 to 31 December 2003 £'000	Year ended 30 September 2002 £'000
Bank loans	6,908	5,972
Interest on amounts owed to parent undertaking	1,649	1,210
	<u>8,557</u>	<u>7,182</u>

Havana Holdings (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003 (Continued)

6 Taxation on profit from ordinary activities

	Period from 1 October 2002 to 31 December 2003 £'000	Year ended 30 September 2002 £'000
<i>Current tax</i>		
UK corporation tax on profits of the period	259	89
Adjustment in respect of previous periods	29	505
	<hr/>	<hr/>
Current tax	288	594
Deferred tax (note 13)	230	-
	<hr/>	<hr/>
	518	594
	<hr/>	<hr/>

The tax assessed for the period is different from the standard rate of corporation tax in the UK. The differences are explained below:

	Period from 1 October 2002 to 31 December 2003 £'000	Year ended 30 September 2002 £'000
Loss on ordinary activities before tax	(1,399)	(1,465)
	<hr/>	<hr/>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002 - 30%)	(420)	(440)
Effects of:		
Expenses not deductible for tax purposes	17	402
Capital allowances for period in excess of depreciation	489	461
Effect of pension contributions paid in advance	(140)	(198)
Brought forward losses used	(182)	(136)
Adjustment in respect of previous periods	29	505
Discount carried forward	495	-
	<hr/>	<hr/>
Current tax charge for period	288	594
	<hr/>	<hr/>

Havana Holdings (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003 (*Continued*)

7 Tangible assets - group

	Long leasehold land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
<i>Cost</i>			
At 1 October 2002	148,898	17,088	165,986
Additions	48	-	48
Disposals	-	(46)	(46)
	<hr/>	<hr/>	<hr/>
At 31 December 2003	148,946	17,042	165,988
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 October 2002	7,142	13,378	20,520
Provided for the period	2,454	934	3,388
Disposals	-	(35)	(35)
	<hr/>	<hr/>	<hr/>
At 31 December 2003	9,596	14,277	23,873
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2003	139,350	2,765	142,115
	<hr/>	<hr/>	<hr/>
At 30 September 2002	141,756	3,710	145,466
	<hr/>	<hr/>	<hr/>

8 Fixed asset investments

	31 December 2003 £'000	30 September 2002 £'000
<i>Company</i>		
<i>Cost and net book value</i>		
1 October 2002 and 31 December 2003	72,838	72,838
	<hr/>	<hr/>

The investments are unlisted. Further details of subsidiary undertakings included in the group are shown in note 17.

Havana Holdings (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003 (*Continued*)

9 Stocks

	Group 31 December 2003 £'000	Group 30 September 2002 £'000
Consumables	7	6
Goods for resale	80	80
Operating equipment	296	296
	<u>383</u>	<u>382</u>

10 Debtors

	Group 31 December 2003 £'000	Group 30 September 2002 £'000	Company 31 December 2003 £'000	Company 30 September 2002 £'000
Trade debtors	1,684	1,910	-	-
Due from subsidiary undertakings	-	-	110,884	105,756
Corporation tax	-	109	-	-
Other debtors	511	764	301	392
Prepayments and accrued income	1,638	1,018	37	-
	<u>3,833</u>	<u>3,801</u>	<u>111,222</u>	<u>106,148</u>

All amounts shown under debtors fall due for payment within one year.

Havana Holdings (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003 (Continued)

11 Creditors: amounts falling due within one year

	Group 31 December 2003 £'000	Group 30 September 2002 £'000	Company 31 December 2003 £'000	Company 30 September 2002 £'000
Bank loans (note 12)	1,250	4,000	1,250	4,000
Amount owed to parent undertaking (note 12)	2,769	-	2,769	-
Amounts owed to subsidiary undertakings	-	-	54,863	45,747
Trade creditors	1,498	1,755	-	-
Other taxation and social security	739	794	-	-
Corporation tax	674	-	-	-
Other creditors	166	368	-	-
Accruals and deferred income	884	583	200	200
	<u>7,980</u>	<u>7,500</u>	<u>59,082</u>	<u>49,947</u>

12 Creditors: amounts falling due after more than one year

	Group 31 December 2003 £'000	Group 30 September 2002 £'000	Company 31 December 2003 £'000	Company 30 September 2002 £'000
Amounts owed to parent undertaking	25,762	25,475	25,762	25,475
Bank loan (secured)	70,750	72,000	70,750	72,000
	<u>96,512</u>	<u>97,475</u>	<u>96,512</u>	<u>97,475</u>

In 1998 discounted loan notes of £9,500,000 repayable in 2007 and £10,500,000 repayable in 2004 were issued by the parent undertaking. The loan notes were issued for a redemption value of £19,800,000 and £17,100,000 respectively. Interest of £7,357,000 has been accrued up to the balance sheet date on these balances in accordance with Financial Reporting Standard 4. At the period end £15,171,000 and £2,769,000 were outstanding, respectively.

The bank loan is secured by a fixed and floating charge over the assets of the group. Interest on the bank loan is charged at 7.75 % on the first £7,000,000 and 7.45% on the remaining balance.

Havana Holdings (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003 (Continued)

12 Creditors: amounts falling due after more than one year (Continued)

The repayments on this loan are as follows:

	31 December 2003 £'000	30 September 2002 £'000
In one year or less	1,250	4,000
In more than one year but not more than two years	1,250	1,250
In more than two years but not more than five years	3,750	3,750
In more than five years	65,750	67,000
	<u>72,000</u>	<u>76,000</u>

13 Provisions for liabilities and charges

	Deferred taxation £'000
At 1 October 2002	-
Charge to the profit and loss account	230
	<u>230</u>
At 31 December 2003	<u>230</u>

Deferred taxation

	31 December 2003 Provided £'000	31 December 2003 Unprovided £'000	30 September 2002 Provided £'000	30 September 2002 Unprovided £'000
Group				
Decelerated capital allowances	(134)	-	-	(265)
Unrelieved tax losses carried forward	-	(6,074)	-	(6,259)
Interest payable	-	(2,208)	-	(1,714)
Other timing differences	364	-	-	221
	<u>230</u>	<u>(8,828)</u>	<u>-</u>	<u>(8,017)</u>

Havana Holdings (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003 (*Continued*)

13 Provisions for liabilities and charges (*Continued*)

Deferred taxation (Continued)

Company	31 December 2003 Provided £'000	31 December 2003 Unprovided £'000	30 September 2002 Provided £'000	30 September 2002 Unprovided £'000
Unrelieved tax losses carried forward	-	(1,262)	-	(1,262)
Interest payable	-	(2,208)	-	(1,714)
Liability/(asset)	-	(3,470)	-	(2,976)

The deferred tax assets have not been provided for as there is currently insufficient evidence that any assets would be recoverable in the near future.

14 Share capital

	Authorised			
	31 December 2003 Number	30 September 2002 Number	31 December 2003 £'000	30 September 2002 £'000
Ordinary shares of £1 each	100,000,000	100,000,000	100,000	100,000
	Allotted, called up and fully paid			
	31 December 2003 Number	30 September 2002 Number	31 December 2003 £'000	30 September 2002 £'000
Ordinary shares of £1 each	42,500,000	42,500,000	42,500	42,500

15 Reserves

An analysis of movements on reserves is given below:

	Group £'000	Company £'000
<i>Share premium</i>		
At 1 October 2002 and at 31 December 2003	5,000	5,000
<i>Profit and loss account</i>		
At 1 October 2002	1,747	(14,266)
Loss for the period	(1,917)	(3,303)
At 31 December 2003	(170)	(17,569)

Havana Holdings (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003 (Continued)

16 Reconciliation of movements in shareholders' funds

	Group Period from 1 October 2002 to 31 December 2003 £'000	Group Year ended 30 September 2002 £'000	Company Period from 1 October 2002 to 31 December 2003 £'000	Company Year ended 30 September 2002 £'000
Loss for the period/year	(1,917)	(2,059)	(3,318)	(2,603)
Opening shareholders' funds	49,247	51,306	33,234	35,837
Closing shareholders' funds	47,330	49,247	29,916	33,234

17 Subsidiary undertakings

The company's subsidiaries, owned directly or indirectly and included within the consolidated financial statements are as follows:

Name	Principal activities	Description and proportion of shares held	Country of registration
Primeairo Limited	Holding company	100% ordinary shares	England
International Hoteliers (UK) Limited	Hotel owning company	100% ordinary shares	England
Churchill Group Limited	Hoteliers	100% ordinary shares 100% deferred shares	England

18 Pension scheme

The group operates a pension scheme in the United Kingdom called the Churchill Staff Benefits Plan which is a funded defined benefit plan. The assets of the scheme are excluded from these accounts and held in separate Trustee Administered Funds.

The group's pension costs are calculated in accordance with the advice of an independent qualified actuary using the Current Unit Age Method. The latest formal Actuarial Valuation of the Scheme was carried out as at 6 April 2001. The principal assumptions adopted in the valuation were that, over the long term the annual rate of return on investments would be 9.0%, salary increases would be 6% per annum and increases to pensions in payment would be 5%.

The net market value of the assets of the scheme at the last valuation date were £8,337,000. The actuarial value of these assets on an "on-going" basis was not sufficient to cover the liabilities of the schemes by £2,078,000. The valuation indicated that on the basis of service to date and current salaries, the schemes assets were sufficient to meet 80% of its liabilities. Additional monthly contributions will be made by the group in order to meet its liabilities. The total pension cost for the group in the period was £970,000 (2002 - £880,000).

Havana Holdings (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003 (*Continued*)

18 Pension scheme (*Continued*)

Financial Reporting Standard 17 'Retirement Benefits' (FRS 17)

The group is required to comply fully with FRS 17 in its financial statements for the period ended 31 December 2005. As stated in note 1 the group has taken advantage of the transitional arrangements allowed under FRS 17, which requires the following disclosures to be made in these financial statements in preparation for this change in accounting policy.

A full actuarial valuation of the defined benefit scheme was carried out at 6 April 2001 and updated to 31 December 2003 by a qualified independent actuary on a FRS 17 basis. The major assumptions at 31 December 2003 used by the actuary were:

	31 December 2003	30 September 2002	30 September 2001
Rate of increase in salaries	4.1%	3.75%	4.0%
Rate of increase for pensions in payment	5.0%	5.0%	5.0%
Rate of increase for deferred pensioners	2.6%	2.25%	6.0%
Discount rate	5.5%	5.50%	6.0%
Inflation assumption	2.6%	2.25%	2.5%

18 Pension scheme (Continued)

The assets in the scheme and the expected rate of return at 31 December 2003 were:

	Long-term rate of return expected at 31 December 2003	Value at 31 December 2003 £'000	Long-term rate of return expected at 30 September 2002	Value at 30 September 2002 £'000	Long-term rate of return expected at 30 September 2001	Value at 30 September 2001 £'000
Equities	8.25%	7,211	8.25%	4,988	7.8%	4,732
Bonds	4.8%	2,594	4.50%	1,982	5.0%	1,907
Other	4.1%	263	3.75%	247	4.5%	449
Total market value of assets		10,068		7,217		7,088
Present value of scheme liabilities		(14,643)		(13,101)		(11,196)
Deficit in the scheme		(4,575)		(5,884)		(4,108)
Related deferred tax asset		1,373		1,765		1,232
Net pension liability on a FRS 17 basis		(3,202)		(4,119)		(2,876)

Havana Holdings (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003 (Continued)

18 Pension scheme (Continued)

Contributions of £1,540,000 (2002 - £1,295,000) were made in the period to 31 December 2003 (17.9% of pensionable pay, plus additional contributions to fund the net deficit).

The effect on the profit and loss reserve if the pension scheme liability were incorporated into the financial statements is as follows:

	Period from 1 October 2002 to 31 December 2003 £'000	Year ended 30 September 2002 £'000
Reported profit and loss reserve	(170)	1,747
Reversal of SSAP24 asset net of deferred tax	(897)	(748)
FRS 17 Pension reserve	(3,202)	(4,119)
	<hr/>	<hr/>
Profit and loss reserve under FRS 17	(4,269)	(3,120)
	<hr/>	<hr/>
<i>Movement in deficit during the period:</i>		
Deficit at 1 October 2002	(5,884)	(4,108)
Contributions paid	1,540	1,295
Current service costs	(706)	(454)
Other finance charge	(202)	(146)
Actuarial loss	677	(2,471)
	<hr/>	<hr/>
Deficit at 31 December 2003	(4,575)	(5,884)
	<hr/>	<hr/>
<i>Analysis of amount charged to operating profit:</i>		
Current service cost	(706)	(454)
	<hr/>	<hr/>
<i>Analysis of the amount charged to other finance income:</i>		
Interest on pension scheme liabilities	(888)	(665)
Expected returns on assets in pension scheme	686	519
	<hr/>	<hr/>
	(202)	(146)
	<hr/>	<hr/>

Havana Holdings (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003 (*Continued*)

18 Pension scheme (*Continued*)

	Period from 1 October 2002 to 31 December 2003 £'000	Year ended 30 September 2002 £'000
<i>Analysis of amounts recognised in statement of total recognised gains and losses:</i>		
Gain/(loss) on assets	1,044	(1,440)
Experience gain/(loss) on liabilities	6	(101)
Loss on change of assumptions	(373)	(930)
	<u>677</u>	<u>(2,471)</u>

History of experience gains and losses:

Gain/(loss) on scheme assets	£1,044,000	£(1,440,000)
Percentage of scheme assets at period end	10.37%	19.95%
Experience gain/(loss) on scheme liabilities	£6,000	£(101,000)
Percentage of scheme liabilities at period end	0.04%	0.77%
Total amount recognised in statement of total recognised gains and losses	£677,000	£(2,471,000)
Percentage of scheme liabilities at period end	4.62%	18.86%

19 Commitments under operating leases

At 31 December 2003, the group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings Period from 1 October 2002 to 31 December 2003 £'000	Land and buildings Year ended 30 September 2002 £'000
Operating leases which expire:		
In one to two years	56	-
In two to five years	-	56
	<u>56</u>	<u>56</u>

Havana Holdings (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003 (Continued)

20 Related party transactions

During the period the trading operations of the Churchill Inter-Continental Hotel are managed by Inter-Continental Hotel & Resorts. During the period the group was charged, licence fees of £587,567 (2002 - £471,940) and Global reservation fees of £107,549 (2002 - £51,970) and credited with management fees of £Nil (2002 - £121,711) by Inter-Continental Hotels & Resorts. At 31 December 2003 £324,959 (2002 - £268,851) was owed to them.

21 Reconciliation of operating profit to net cash inflow from operating activities

	Period from 1 October 2002 to 31 December 2003 £'000	Year ended 30 September 2002 £'000
Operating profit	6,948	5,530
Depreciation	3,388	3,223
Increase in debtors	(141)	(925)
Increase in creditors	1,433	710
(Increase)/decrease in stock	(1)	167
	<u>11,627</u>	<u>8,705</u>

22 Reconciliation of net cash inflow to movement in net debt

	Period from 1 October 2002 to 31 December 2003 £'000	Period from 1 October 2002 to 31 December 2003 £'000	Year ended 30 September 2002 £'000	Year ended 30 September 2002 £'000
Increase in cash in the period	1,635		832	
Cash outflow from decrease in debt	2,591		34	
Cash inflow from increase in liquid resources	(488)		(636)	
Change in net debt resulting from cash flows		3,738		230
Other non-cash movements		(1,647)		(1,210)
Movement in net debt in the period		2,091		(980)
Net debt at 1 October 2002		(96,901)		(95,921)
Net debt at 31 December 2003		<u>(94,810)</u>		<u>(96,901)</u>

Havana Holdings (UK) Limited

Notes forming part of the financial statements for the period ended 31 December 2003 (*Continued*)

23 Analysis of changes in net debt

	At 1 October 2002 £'000	Cash flow £'000	Other non-cash movements £'000	At 31 December 2003 £'000
Cash at bank and in hand	2,580	1,635	-	4,215
Debt due within one year				
Bank loans	(4,000)	4,000	(1,250)	(1,250)
Advances from parent company	-	-	(2,769)	(2,769)
Debt due after one year:				
Bank loans	(72,000)	-	1,250	(70,750)
Advances from parent company	(25,475)	(1,409)	1,122	(25,762)
Short term deposits	1,994	(488)	-	1,506
	<u>(96,901)</u>	<u>3,738</u>	<u>(1,647)</u>	<u>(94,810)</u>

24 Post balance sheet events

During the period ended 31 December 2003, the Churchill hotel was managed by Inter-Continental Hotels and Resorts. On 1 May 2004 the Churchill changed management companies, to become managed by Hyatt, as the Hyatt Regency London - The Churchill.

25 Ultimate parent company

At 31 December 2003 the company's immediate parent company was Havana Investments Limited, a company incorporated under the terms of the State of Jersey.

The ultimate controlling party is unknown.