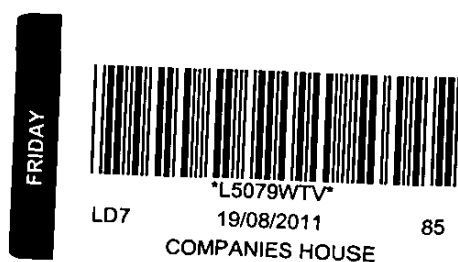


# **London Portman Hotel Limited**

## **Report and Financial Statements**

**31 December 2010**

**Company No: 932874**



# London Portman Hotel Limited

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Registered No 932874

## **Directors**

E S Rosenberg  
D Rosenberg  
G M Landesberg  
A Landesberg  
G Nolan

## **Secretary**

AG Secretarial Limited  
100 Barbirolli Square  
Manchester  
M2 3AB

## **Auditors**

BDO LLP  
55 Baker Street  
London  
W1U 7EU

## **Bankers**

Royal Bank of Scotland  
60 Conduit Street  
London  
WC1R 9FD

## **Registered office**

Milton Gate  
60 Chiswell Street  
London  
EC1Y 4AG

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2010

### Results and dividends

The profit for the year after taxation amounted to £3,804,000 (2009 £2,128,000) The directors paid an interim dividend totalling £15,000,000 (2009 Nil) in the year No final dividend has been proposed

### Principal activity

The company's principal activity during the year was that of an hotelier

### Review of the business

A summary of the results is as follows

	2010	2009	Change %
Revenue (£000)	16,912	16,108	4.9
Gross margin (%)	70.6	68.4	2.2
Operating margin (%)	23.8	22.4	1.4
Revpar	124.0	115.0	9.0

The company achieved revenue of £16.9m during current financial year, 4.9% above last year with a gross margin of 70.6%, up 2.2% on last year and operating margin up by 1.4% Revenue per available room showed strong recovery in the rate following difficult trading conditions in 2009

### Future developments

The outlook for the business remains positive The directors view the result for the year and the future prospects of the company as satisfactory

### Risks and uncertainties

The company's risks can be broadly defined as commercial and financial Commercial risks are addressed as part of the day-to-day operations and management of the company The primary risks facing the hotel industry is the continuing threat of terrorism, the credit crunch and the cyclical nature of hotel performance The reliance of hotels on economy growth as well as consumer confidence also plays a role

The directors have considered the impact on the financial statements of market risk, currency risk, interest rate risk, credit risk and liquidity risk It has been determined that any adverse changes in the market to the parameters that determine the effects of these financial risks will not be expected to have a significant impact on the financial performance and position of the company The directors continue to monitor the economic market for fluctuations which drive company decisions and policy

## Directors' report

### Going Concern

The Board of Directors regularly monitors the ability of the company to meet its liabilities as they fall due for the foreseeable future against the facilities and funding options open to it

Following a refinancing of the Group's banking facilities in April 2008 the ultimate parent company has two bank loans

The first loan of £65 million (due for repayment in April 2013), secured on the hotel property, has two financial covenants (loan to value and interest cover) attached. Neither covenant has been breached in the financial year nor is it forecast to do so. The Group's forecasts taking into account reasonably possible changes in trading performance, interest rates, and the hotel's valuation show that the company should be able to meet the covenants attached to this facility in the 12 month period following the approval of these accounts

The second loan of £23.4 million has no financial covenants attached to it and is repayable in February 2011. In the event that an extension to this repayment date is required and cannot be obtained, alternative funding will be necessary. This indicates the existence of a material uncertainty which may cast significant doubt about the ultimate parent company's ability to continue as a going concern which would have a direct impact on the company's ability to continue as a going concern. However the directors believe that the ultimate parent company will be able to obtain either an extension of the facility or alternative finance to enable the ultimate parent company and the company to meet their future obligations

### Directors

The directors who served the company during the year and subsequently were as follows

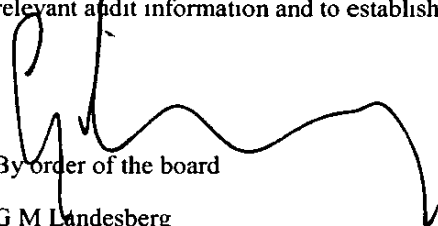
E S Rosenberg  
D Rosenberg  
G M Landesberg  
A Landesberg  
G Nolan (appointed 26 April 2011)

### Auditors

In accordance with section 485 of the Companies Act 2006, a resolution is proposed at the Annual general meeting for appointment of BDO LLP as auditor of the company

### Directors' statement as to disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director to make himself aware of any relevant audit information and to establish that the auditor is aware of that information



By order of the board

G M Landesberg

Date 11 August 2011

## Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

# **Independent auditors' report**

## **to the members of London Portman Hotel Limited**

We have audited the company's financial statements for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **Emphasis of Matter – Going concern**

In forming our opinion on the company's financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern.

To enable the company to continue as a going concern the company is reliant upon the continued support of its ultimate parent undertaking who are reliant upon either the ongoing support of its existing lenders or for alternative lenders to be found to refinance one of the Group's existing bank facilities which expired in February 2011.

Negotiations are ongoing with a separate lender who is proposing to provide a facility which would be sufficient to replace the existing expired facility, however, no formal binding agreement has been obtained from the new lender. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The financial statements do not include the adjustments that would be necessary if the company was unable to operate as a going concern.

# **Independent auditors' report**

**to the members of London Portman Hotel Limited**

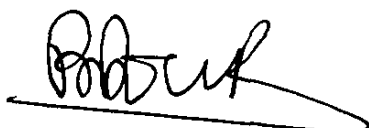
## **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Solomon Benaim (*senior statutory auditor*)  
*For and on behalf of BDO LLP, statutory auditor*  
London  
Date 11 August 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

## Profit and loss account

for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
<b>Turnover</b>	1	16,912	16,108
Cost of sales		(4,979)	(5,093)
<b>Gross profit</b>		11,933	11,015
Administrative expenses		(7,908)	(7,407)
<b>Operating profit</b>	2	4,025	3,608
Interest receivable	5	187	213
<b>Profit on ordinary activities before taxation</b>		4,212	3,821
Tax on profit on ordinary activities	6	(1,621)	(1,693)
<b>Profit for the financial year</b>	14	2,591	2,128

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



## Balance sheet

at 31 December 2010

Company no 932874

	Notes	2010 £000	2009 £000
<b>Fixed assets</b>			
Tangible assets	8	37,941	39,922
<b>Current assets</b>			
Stocks		28	32
Debtors	9	1,152	1,137
Cash at bank and in hand		3,435	2,446
		4,615	3,615
<b>Creditors:</b> amounts falling due within one year	10	(2,087)	(1,351)
<b>Net current assets</b>		2,528	2,264
<b>Debtors</b> amounts due after more than one year	11	5,938	16,599
<b>Total assets less current liabilities</b>		46,407	58,785
<b>Provision for liabilities and charges</b>	12	(31)	-
<b>Net assets</b>		46,376	58,785
<b>Capital and reserves</b>			
Called up share capital	13	640	640
Revaluation reserve	14	34,002	35,593
Profit and loss account	14	11,734	22,552
<b>Equity shareholders' funds</b>	14	46,376	58,785

These financial statements were approved by the board of directors on 11 August 2011

Signed on behalf of the board of directors

G M Landesberg  
Director

## Notes to the financial statements

at 31 December 2010

### 1. Accounting policies

#### *Accounting convention*

The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards

#### *Statement of cash flows*

The company has taken advantage of the exemption available under FRS 1 Statement of Cash Flows not to prepare a statement of cash flows because a consolidated cash flow statement is included in the financial statements and Gloucester Capital Limited, the UK parent undertaking of the company which controls all of the voting rights of the company

#### *Basis of preparation -going concern*

The directors have prepared the financial statements of the company on the going concern basis. This assumption has been based upon ongoing financial support being provided by the company's ultimate parent undertaking who are reliant upon either the ongoing support of its existing lenders or a refinancing of one of its existing banking facilities which expired in February 2011.

The Directors note that the Group's facility with Irish Nationwide Building Society ("INBS") totalling £23m (of which £23m had been drawn as at the year end) has been purchased by the Irish government through their National Asset Management Agency ("NAMA") and a separate lender is in discussions with NAMA to purchase this debt.

Whilst the ultimate parent company's Directors are confident, based on the discussions held to date, that they will obtain the necessary banking facilities to enable the company to operate as a going concern without any such binding agreement with a lender a material uncertainty exists that may cast significant doubt over the company's ability to continue as a going concern and may therefore be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

#### **Tangible fixed assets**

The company's hotel properties are held at historic cost in accordance with the transitional provisions of FRS 15 Tangible Fixed Assets.

On an annual basis the Directors consider if there are indications of impairment to the carrying amount of the hotel properties and other assets. If such indicators exist, the directors perform an impairment review. In completing the impairment review the company estimates the recoverable amount of its hotel properties based on the higher of their net realisable values or the present values of future cash flows expected to result from their use. Where the recoverable amount is less than the carrying amount of the hotel properties the company recognises an impairment loss in the financial statements. Other fixed assets are stated at cost less accumulated depreciation.

#### *Depreciation*

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Long leasehold land and buildings	–	40 years
Plant and machinery	–	10 years
Fixtures, fittings and equipment	–	3 - 7 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

## Notes to the financial statements

at 31 December 2010

### **Dividends**

Equity dividends are recognised when they become legally payable. Final equity dividends are recognised when approved by shareholders at an annual general meeting.

### **Stocks**

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

### **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 have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

### **Pensions**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period. Differences between the contributions payable in the year and contributions actually paid are shown in either accruals or prepayments in the balance sheet.

### **Turnover**

Turnover represents the amounts (excluding value added tax) attributable to one continuing activity, the provision of services as an hotelier. Turnover by destination relates to one geographical market, being the United Kingdom.

## Notes to the financial statements

at 31 December 2010

### 2. Operating profit

This is stated after charging

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Auditors' remuneration – audit services	18	25
– taxation services	6	9
Depreciation	2,057	2,427

### 3. Directors' emoluments

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Emoluments	–	–

### 4. Staff costs

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	3,178	3,074
Social security costs	193	189
Other pension costs	60	54
	<u>3,431</u>	<u>3,317</u>

The average monthly number of employees during the year was as follows

	<i>2010</i>	<i>2009</i>
	<i>No</i>	<i>No</i>
Employees	134	136

### 5. Interest receivable

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Interest receivable from parent company	187	213

## Notes to the financial statements

at 31 December 2010

### 6. Tax on profit on ordinary activities

#### (a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2010 £000	2009 £000
<i>Current tax</i>		
UK corporation tax for the year at 28% (2009-28%)	–	–
Group relief payable	1,548	1,598
Total current tax (note 6(b))	1,548	1,598
<i>Deferred tax</i>		
Timing differences	73	95
Total deferred tax (note 11)	73	95
Total tax charge for year	1,621	1,693

#### (b) Factors affecting current tax charge for the year

The tax assessed for the year is different to the average rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

	2010 £000	2009 £000
Profit on ordinary activities before tax	4,212	3,821
Profit on ordinary activities multiplied by the average rate of corporation tax in the UK of 28% (2009 28%)	1,179	1,070
<i>Effects of</i>		
Expenses not deductible for tax purposes	479	625
Capital allowances in excess of depreciation	(110)	(97)
Current tax for the year (note 6(a))	1,548	1,598

As announced in the Budget on 23 March 2011, the main rate of UK corporation tax will decrease from 28% by 2% over two years starting from April 2011. These rate changes will affect the amount of future cash payments to be made by the company.

## Notes to the financial statements

at 31 December 2010

### 7. Dividends

	2010 £000	2009 £000
Interim dividend paid	15,000	-

An interim dividend on ordinary shares totalling £23 435 (2009 Nil) per ordinary share was paid in the year

### 8. Tangible fixed assets

	<i>Land and buildings</i> £000	<i>Plant and machinery</i> £000	<i>Fixtures, fittings and equipment</i> £000	<i>Total</i> £000
Cost or valuation				
At 31 December 2009	66,894	11,466	17,026	95,386
Reclassification	-	(118)	118	-
Additions	-	-	76	76
At 31 December 2010	66,894	11,348	17,220	95,462
Depreciation				
At 31 December 2009	29,975	10,199	15,290	55,464
Reclassification	-	591	(591)	-
Provided during the year	1,672	70	315	2,057
At 31 December 2010	31,647	10,860	15,014	57,521
Net book value				
At 31 December 2010	35,247	488	2,206	37,941
At 31 December 2009	36,919	1,267	1,736	39,922

The company has taken advantage of the transitional provisions of FRS 15 Tangible Fixed Assets and retained the book amounts of the land and buildings, which were revalued prior to implementation of that standard. The land and buildings were valued at £64,720,221 on an open market basis by CB Richard Ellis (Chartered Surveyors) as at 23 November 1988. The useful expected life of the revalued assets was estimated at 40 years in 1992 when depreciation commenced. Subsequent additions of £2,173,854 have been included at cost and are also estimated to have a useful expected life of 40 years.

The hotel was valued at £100,000,000 after the deduction of purchasers costs assumed at 2.25% by Savills (Chartered Surveyors) on an open market value as at 1 April 2008 and the valuations have not subsequently been updated.

The revalued element of the net book value of land and buildings comprises

## Notes to the financial statements

at 31 December 2010

	2010 £000	2009 £000
Long leasehold	34,592	36,210
Particulars relating to revalued assets are given below		
Land and buildings – at 1988 open market value	64,720	64,720
– aggregate depreciation thereon	(30,128)	(28,510)
Net book value	34,592	36,210
Historical cost of revalued assets	1,093	1,093
Aggregate depreciation based on historical cost	(505)	(477)
Historical cost net book value	588	616

### 9. Debtors: amounts falling due within one year

	2010 £000	2009 £000
Trade debtors	855	884
Deferred tax	-	42
Other debtors	-	21
Prepayments and accrued income	297	190
	1,152	1,137

### 10. Creditors: amounts falling due within one year

	2010 £000	2009 £000
Trade creditors	754	337
Other taxes and social security costs	563	332
Accruals and deferred income	770	682
	2,087	1,351

## Notes to the financial statements

at 31 December 2010

### 11. Debtors: amounts due after more than one year

	2010 £000	2009 £000
Amounts due from group companies	5,938	16,599
	<u>5,938</u>	<u>16,599</u>

### 12. Provisions for liabilities

Deferred taxation provided in the financial statements is as follows

	2010 £000	2009 £000
Difference between accumulated depreciation and capital allowances	31	(42)
Deferred tax liability/(asset)	<u>31</u>	<u>(42)</u>

The movement in the recognised deferred taxation account during the year was

	2010 £000	2009 £000
Balance brought forward (note 9)	(42)	(137)
Charged during the period on timing differences	110	97
Adjustment in respect of prior years	(37)	(2)
Deferred tax liability/(asset) carried forward	<u>31</u>	<u>(42)</u>

### 13. Authorised and issued share capital

<i>Authorised</i>		2010 £000	2009 £000
Ordinary shares of £1 each		640	640
		<u>640</u>	<u>640</u>
<i>Allotted, called up and fully paid</i>		2010 £000	2009 £000
Ordinary shares of £1 each	No	640,064	640,064
		<u>640,064</u>	<u>640,064</u>



## Notes to the financial statements

at 31 December 2010

### 14. Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	Revaluation reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 31 December 2009	640	35,593	22,552	58,785
Retained profit for the year	—	—	2,591	2,591
Depreciation transfer	—	(1,591)	1,591	—
Dividend paid	—	—	(15,000)	(15,000)
At 31 December 2010	640	34,002	11,734	46,376

### 15. Related party transactions

The company meets the exemption requirements of paragraph 3(c) of FRS 8, related party transactions, in that all of its voting rights are controlled within the Gloucester Capital Limited group of companies. The company has therefore not separately disclosed all transactions with other group companies and investees of the group qualifying as related parties.

### 16. Ultimate parent undertaking and controlling party

At 31 December 2010 and 31 December 2009 the company's immediate parent company was George Holdings (UK) Limited, which is incorporated in Great Britain. The ultimate parent undertaking which is also the largest and smallest group to consolidate these financial statements and controlling entity is Gloucester Capital Limited, incorporated and registered in Great Britain. The financial statements of the ultimate parent company and the immediate parent company may be obtained by writing to Gloucester Capital Limited, Milton Gate, 60 Chiswell Street, London, EC1Y 4AG.

### 17. Pension scheme

The company has a defined contribution pension scheme. The pension cost for the year represents contributions payable by the company to the fund and amounted to £59,592 (2009 – £54,283).

At the year end 31 December 2010 there were pension liabilities on the balance sheet to the value of £14,053 (2009 - £19,135).