

THE CLIVEDEN TOWN HOUSE LIMITED

Report and Accounts

31 December 2002



# The Cliveden Town House Limited

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Registered No. 2492037

## **DIRECTORS**

B T Goodwin

N Shah

A Zobler – appointed 13 May 2002 and resigned 14 January 2003

R Larson – appointed 13 May 2002

R Ross – appointed 17 January 2003

## **SECRETARY**

N Shah

## **AUDITORS**

Ernst & Young LLP

Becket House

1 Lambeth Palace Road

London SE1 7EU

## **BANKERS**

Barclays Bank PLC

50 Pall Mall

London SW1A 1QA

## **SOLICITORS**

Lovells

65 Holborn Viaduct

London EC1A 2DY

## **REGISTERED OFFICE**

Hill House

1 Little New Street

London EC4A 3TR

# The Cliveden Town House Limited

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## DIRECTORS REPORT

The directors present their annual report on the company, together with the accounts and auditors' report for the year ended 31 December 2002.

### PRINCIPAL ACTIVITIES

The principal activity of the company, which has remained unchanged during the year, was that of the leasing and operating The Cliveden Town House. The company has received approaches from third parties with a view to purchasing the lease to the property and/or the company and those offers are in the process of being reviewed.

### REVIEW OF ACTIVITIES AND FUTURE DEVELOPMENTS

The company made a profit on ordinary activities after tax for the year of £92,000 (2001 – Loss £3,066,000). The directors do not recommend the payment of a dividend (2001 – £nil).

The continued economic down turn and lower levels of tourists in London have impacted the company's results. The directors have assessed the carrying values in light of the downturn and have concluded that no further write-down is required following the impairment charge that was recognised in the 2001 accounts.

### DIRECTORS AND THE INTERESTS

The directors who served during the year ended 31 December 2002 are as listed on page 1.

None of the directors had, at any time during the current and preceding year, an interest in the shares of the company which is required to be disclosed under paragraph 2 Schedule 7 of the Companies Act 1985.

### EMPLOYEES

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors affecting the performance of the group. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes 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 that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### SUPPLIER PAYMENT POLICY

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment assuming that the product or service supplied is in accordance with the order placed. Trade creditors of the company at 31 December 2002 were equivalent to 31 days' purchases (2001 – 31 days), based on the average daily amount invoiced by suppliers during the year.

### AUDITORS

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

Director

*Nefen Shah*

13 FEBRUARY 2003

## The Cliveden Town House Limited

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 period. In preparing those accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLIVEDEN TOWNHOUSE LIMITED**

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Reconciliation of Shareholders' Funds and the related notes 1 to 17. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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.

### **Basis of audit 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.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
London

*13 February, 2003*

# The Cliveden Town House Limited

## PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2002

	<i>Notes</i>	<i>2002</i> £000	<i>2001</i> <i>Restated</i> £000
<b>TURNOVER</b>	2	1,619	1,937
<b>OPERATING EXPENSES</b>			
Other operating expenses	3(b)	(1,566)	(1,715)
Impairment of property and equipment	3(a)	-	(3,551)
		<u>(1,566)</u>	<u>(5,266)</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES</b>			
<b>BEFORE TAXATION</b>	3	53	(3,329)
Tax credit on profit/(loss) on ordinary activities	6	(39)	(263)
		<u>92</u>	<u>(3,066)</u>
<b>RETAINED PROFIT/(LOSS) FOR THE YEAR</b>			

Restated on adoption of FRS 19- Deferred taxation (see note 1)

All activities in the current year and preceding year relate to continuing operations.

The accompanying notes are an integral part of these accounts.

# The Cliveden Town House Limited

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2002

	2002	2001
	£000	<i>Restated</i> £000
Profit / (Loss) on ordinary activities after taxation	92	(3,066)
Total recognised gains / (losses) relating to the year	<u>92</u>	<u>(3,066)</u>

## NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 31 December 2002

	2002	2001
	£000	<i>Restated</i> £000
Retained profit/(loss) on ordinary activities before taxation	92	(3,066)
Difference between an historical cost depreciation charge and the actual depreciation charge for the year	132	133
Impairment write-down transferred from revaluation reserve	-	3,551
Historical cost profit on ordinary activities before taxation	<u>224</u>	<u>618</u>
Historical cost profit for the year after taxation	<u>224</u>	<u>618</u>

Restated on adoption of FRS 19

The accompanying notes are an integral part of these accounts.

# The Cliveden Town House Limited

## BALANCE SHEET

At 31 December 2002

		2002	2001
	Notes	£000	Restated £000
<b>FIXED ASSETS</b>			
Tangible assets	7	6,824	7,000
<b>CURRENT ASSETS</b>			
Stocks	8	10	8
Debtors	9	418	387
Cash at bank and in hand		85	285
		513	680
<b>CREDITORS: amounts falling due within one year</b>	10	(6,879)	(7,314)
<b>NET CURRENT LIABILITIES</b>		(6,366)	(6,634)
<b>NET ASSETS</b>		458	366
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	-	-
Revaluation reserve	13	-	87
Profit and loss account	13	458	279
<b>EQUITY SHAREHOLDERS' FUNDS</b>	13	458	366

Signed on its behalf of the board

Nefen Shah 13 FEBRUARY 2003

Director

The accompanying notes are an integral part of these accounts.

## NOTES TO THE ACCOUNTS

At 31 December 2002

### 1. ACCOUNTING POLICIES

#### *Accounting convention*

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain tangible fixed assets. They have been drawn up to comply with applicable accounting standards, including Financial Reporting Standard (FRS) 19 'Deferred tax' which applies for the first time this year.

FRS 19 requires full provision, subject to certain exceptions, for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and for tax purposes. Previously, Statement of Standard Accounting Practice (SSAP) 15 'Accounting for deferred tax' required recognition of deferred tax assets and liabilities to the extent it was probable timing differences would reverse in the foreseeable future. This change in accounting policy has been accounted for as a prior year adjustment and previously reported figures have been restated accordingly. The effect on the profit and loss account has been to increase the tax credit by £39,000 (2001 £263,000 credit) and the balance sheet effect is to increase deferred tax debtors by £302,000 (2001 £263,000). In applying FRS 19, deferred tax provisions have not been calculated on a discounted basis. FRS 19 has no impact on cash flows.

#### *Going concern*

At 31 December 2002, the company had net current liabilities of £6,366,000 (2001 – £6,634,000) and accordingly is reliant on support from its parent companies. Destination Europe Limited has confirmed its intention to provide continuing financial support to enable the company to meet its liabilities as they fall due. The directors have carefully considered the position of the company and consider the going concern assumption appropriate.

#### *Turnover*

Turnover represents amounts receivable by the company in respect of goods sold and services rendered, net of trade discounts, VAT and other sales related taxes.

#### *Tangible fixed assets*

Long leasehold buildings are depreciated down to their estimated residual value over their estimated useful economic lives.

Depreciation at 2% per annum is provided on long leasehold buildings. All other tangible fixed assets, are depreciated evenly at rates varying between 10% and 25% per annum based on their expected useful lives.

Under FRS 11, "Impairment of fixed assets", adjustment are made to asset values, through additional depreciation if events indicate that the carrying value of fixed assets may not be recoverable.

#### *Stocks*

Stocks, which represent items held for resale, are valued on a first in, first out basis at the lower of cost and net realisable value. Costs include all expenditure incurred in the normal course of business in bringing stocks to their present location and condition. Provision is made for obsolete, slow-moving or defective items where appropriate.

Operating equipment such as china, glass and crockery, is written off at the time of purchase.

# The Cliveden Town House Limited

## NOTES TO THE ACCOUNTS

At 31 December 2002

### *Taxation*

Deferred tax assets and liabilities are recognised, subject to certain exceptions, in respect of all material timing differences between the recognition of gains and losses in the financial statements and for tax purposes. Those timing differences recognised include accelerated capital allowances, unrelieved tax losses and short term timing differences. Timing differences not recognised include those relating to the revaluation of fixed assets in the absence of a commitment to sell the assets, the gain on sale of assets rolled into replacement assets and the distribution of profits from overseas subsidiaries in the absence of any commitment by the subsidiary to make the distribution.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured on a non-discounted 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 substantially enacted at the balance sheet date.

### *Operating leases*

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if payments are not made on such a basis.

### *Statement of cash flows*

The company has taken advantage of the provision in Financial Reporting Standard 1 not to prepare a statement of cash flows as it is a wholly owned subsidiary of Destination Europe Limited. The results of the company are included within the consolidated accounts of Destination Europe Limited, which are available to the public.

## 2. TURNOVER

The turnover of the company for the current year and prior period derive from operating The Cliveden Town House. The turnover of the company arose entirely in the United Kingdom.

## 3. PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(Loss) on ordinary activities before taxation is stated after charging:

	2002 £000	2001 £000
(a) Operating exceptional items		
Impairment loss arising on long leasehold premises	-	3,551
(b) Other items		
Operating lease charges:		
– in respect of land and buildings	95	82
– in respect of other assets	3	6
– audit fees	6	6
Depreciation	182	182

## 4. DIRECTORS' EMOLUMENTS

None of the directors received emoluments for services provided to the company during the year (2001 – £nil).

The company did not pay any pension contributions on behalf of the directors.

# The Cliveden Town House Limited

## NOTES TO THE ACCOUNTS

At 31 December 2002

### 5. STAFF COSTS

	2002	2001
	£000	£000
Wages and salaries	567	629
Social security costs	44	52
Pension costs	8	4
	<u>619</u>	<u>685</u>

The average number of employees during the year including part time staff and executive directors was:

	2002	2001
	No.	No.
Office and management	6	7
Hotel operations	28	28
	<u>34</u>	<u>35</u>

### 6. TAX

a) Tax on profit/(loss) on ordinary activities

The Tax charge is made up as follows:

	2002	2001
	£000	Restated £000
<i>Deferred Tax</i>		
Origination and reversal of timing differences		
- Prior year	(49)	-
- Current year	10	(263)
	<u>(39)</u>	<u>(263)</u>

b) Factors affecting the charge for the year

	2002	2001
	£000	£000.
Profit/(Loss) on ordinary activities before tax	53	(3,328)
Profit/(Loss) multiplied by the standard rate of tax 30% (2001: 30%)	16	(998)
Expenses not deductible for tax	53	728
Capital allowances in excess of depreciation for the period	(10)	352
Group relief claimed	(59)	(82)
Total current tax	<u>-</u>	<u>-</u>

# The Cliveden Town House Limited

## NOTES TO THE ACCOUNTS

At 31 December 2002

### 6. TAX (CONTINUED)

c) Factors affecting future tax charges

If the company is sold group relief will cease to be available from fellow undertakings of the current group to relieve its taxable profits.

### 7. TANGIBLE FIXED ASSETS

	<i>Long leasehold hotel premises £000</i>	<i>Furniture, fixture and fittings £000</i>	<i>Total £000</i>
Cost or valuation:			
At 31 December 2001	10,772	776	11,548
Additions	-	6	6
At 31 December 2002	10,772	782	11,554
Depreciation:			
At 31 December 2001	4,180	368	4,548
Charge for the year	127	55	182
At 31 December 2002	4,307	423	4,730
Net book value:			
At 31 December 2002	6,465	359	6,824
At 31 December 2001	6,592	408	7,000

If long leasehold premises had not been revalued they would have been included at the following amounts:

	<i>2002 £000</i>	<i>2001 £000</i>
Cost	6,790	6,784
Depreciation	(364)	(314)
Net book value	6,426	6,470

### 8. STOCKS

	<i>2002 £000</i>	<i>2001 £000</i>
Hotel stocks	10	8

# The Cliveden Town House Limited

## NOTES TO THE ACCOUNTS

At 31 December 2002

### 9. DEBTORS

	2002	2001
		<i>Restated</i>
	£000	£000
Trade debtors	53	29
Amounts owed by group undertakings	-	64
Other debtors	-	-
Prepayments	63	31
Deferred tax asset	302	263
	<u>418</u>	<u>387</u>

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

	2002	2001
	£000	£000
Trade creditors	60	42
Amounts owed to group undertakings	6,713	7,146
Other creditors	1	12
Accruals and deferred income	32	62
Other taxes and social security	73	52
	<u>6,879</u>	<u>7,314</u>

### 11. DEFERRED TAXATION

#### *Provision for deferred taxation*

	£000
As previously stated	-
Prior year adjustment on adoption of FRS 19	(263)
At 31 December 2001	<u>(263)</u>
Profit and Loss account	(39)
At 31 December 2002	<u>(302)</u>

The provided and unprovided deferred tax (asset)/liability balances at 30% (2001:30%) in respect of the company are:

	2002	2001
	£000	£000
Depreciation in excess of capital allowances	<u>(302)</u>	<u>(263)</u>

Under FRS 19 the company is required to recognise a deferred tax asset where it believes it is more likely than not that it will benefit from the asset. As the company continues to make taxable profits the directors consider that the asset should be recognised.

# The Cliveden Town House Limited

## NOTES TO THE ACCOUNTS

At 31 December 2002

### 12. SHARE CAPITAL

	2002	2001
	£	£
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
	<u>          </u>	<u>          </u>
Allotted called up and fully paid		
100 ordinary shares of £1 each	100	100
	<u>          </u>	<u>          </u>

### 13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Revaluation reserve £000	Profit and loss account £000	Total share- holders' funds £000
At 1 January 2001	3,771	(339)	3,432
Retained loss for the year	—	(3,066)	(3,066)
Transfer of additional depreciation charge as a result of revaluation of fixed assets	(133)	133	—
Transfer impairment write down to revaluation reserve	(3,551)	3,551	—
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2001 as restated	87	279	366
Retained profit for the year	—	92	92
Transfer of additional depreciation charge as a result of revaluation of fixed assets	(87)	87	—
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2002	—	458	458

### 14. LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings 2002 £000	Land and buildings 2001 £000	Other 2002 £000	Other 2001 £000
Expiry date:				
Between two and five years	—	—	1	1
After five years	95	82	—	—
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 15. CONTINGENT LIABILITIES

The company is contingently liable in respect of a group VAT election for which the group liability at 31 December 2002 was £130,855 (2001 – £385,504).

The company has entered into certain cross guarantees with other group undertakings in respect of the borrowing facilities entered into by Destination Europe Limited.

# The Cliveden Town House Limited

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## NOTES TO THE ACCOUNTS

At 31 December 2002

### 16. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard 8 not to disclose related party transactions with Destination Europe Limited group companies.

### 17. ULTIMATE CONTROLLING PARTY

The company's immediate parent undertaking is Cliveden Limited registered in England and Wales. The company's ultimate parent undertaking and controlling party is Destination Europe USA LLC, registered in Delaware.

The smallest group in which the results of The Cliveden Town House Limited are consolidated is that headed by Destination Europe Limited. The largest group in which the results are consolidated is that headed by Destination Europe USA, LLC. Destination Europe USA, LLC is owned by Prometheus UK Hospitality LLC (88%), Lowe Destination Europe LLC (8.57%), and Cascade Investment LLC (3.43%).

The accounts of Destination Europe Limited may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3UZ. The accounts of Destination Europe USA LLC are not available to the public.