

**Company Registration No. 5314294**

**PARAMOUNT HOTELS (DAVENTRY)  
LIMITED**

**Report and Financial Statements**

**31 December 2012**

**Deloitte LLP  
Douglas, Isle of Man**

FRIDAY



\*L2HS6BFC\*

LD2

27/09/2013

#124

COMPANIES HOUSE

# **PARAMOUNT HOTELS (DAVENTRY) LIMITED**

## **2012 REPORT AND FINANCIAL STATEMENTS**

### **CONTENTS**

### **Page**

<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Directors' responsibilities statement</b>	<b>4</b>
<b>Independent auditors' report</b>	<b>5</b>
<b>Profit and loss account</b>	<b>7</b>
<b>Balance sheet</b>	<b>8</b>
<b>Statement of total recognised gains and losses</b>	<b>9</b>
<b>Notes to the financial statements</b>	<b>10</b>

**PARAMOUNT HOTELS (DAVENTRY) LIMITED**

**2012 REPORT AND FINANCIAL STATEMENTS**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Michael Jourdain  
Peter Procopis  
David Kaye

**COMPANY SECRETARY**

David Kaye

**REGISTERED OFFICE**

Bond Street House  
14 Clifford Street  
London  
W1S 4JU

**BANKERS**

Irish Bank Resolution Corporation Limited  
10 Old Jewry  
London  
EC2R 8DN

National Westminster Bank PLC  
Piccadilly and new Bond Street  
63 Piccadilly  
London  
W1J 0AJ

**AUDITORS**

Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Douglas, Isle of Man

## **PARAMOUNT HOTELS (DAVENTRY) LIMITED**

### **DIRECTORS' REPORT**

The Directors present their annual report on the affairs of the Company, together with the financial statements for the year ended 31 December 2012

#### **PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS**

The Company's principal activity is that of owning and operating a hotel. Prior to 25 April 2012, the hotels owned by Puma Hotels plc and its subsidiaries of which the Company is one of these subsidiaries (together "the Group") were operated by Barceló Hotels and Resorts ("Barceló") under the lease arrangements put in place in September 2007 when the Group transferred its trade to Barceló. On 25 April 2012, a business transfer agreement was signed with Barceló which, inter alia, provided for the early termination of the leases and a net payment by Barceló of £20.25 million (plus VAT) in respect of this early termination.

The Company's results for the year ended 31 December 2012 reflect the changes in its business during the year. The termination of the lease arrangements with Barceló became effective on 25 April 2012. During the year, up to that date from 1 January 2012, the Company traded as a property company receiving rent from Barceló. Since 25 April 2012, the Company has traded as a hotel operator. Turnover for the twelve months ended 31 December 2012 of £2.6m therefore represents a combination of rent received from Barceló and income from hotel operations. The 2011 Turnover of £1.0m (which is not directly comparable to the current year revenue) represents rental income from Barceló. The profit on ordinary activities before finance charges of £1.4m (2011: loss of £5.2m) includes the benefit of the lease termination fee received from Barceló and is after deducting the one-off costs associated with the lease termination and the subsequent costs related to the re-organisation of the business.

The valuation of the properties reflects the termination of the leases with Barceló and the current market conditions in which the Company's hotel operates. In the prior year a deficit of £6.0m was recognised on revaluation of the properties. In the current year no revaluation deficit or surplus has been recognised.

#### **DIVIDENDS AND RESULTS**

The Directors have not proposed the payment of a dividend in respect of the year ended 31 December 2012 (31 December 2011: £nil). The retained loss for the year of £1,342,000 was transferred from reserves (31 December 2011: retained loss of £7,712,000).

#### **DIRECTORS AND THEIR INTERESTS**

The Directors who served during the year and up to the date of this report are

Peter Procopis  
Michael Jourdain  
David Kaye

No Director had any interest in the shares of the Company at 31 December 2012 or 31 December 2011.

#### **CREDITOR PAYMENT POLICY**

It is the Company's policy to agree terms of payment with its suppliers when agreeing the terms of a business transaction or transactions. All suppliers are aware of this procedure and the Company endeavours to abide by the agreed payment terms. Trade creditors of the Company at 31 December 2012 were equivalent to 35 (2011: 36) days' purchases based on average daily purchases for the year.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

Pursuant to the business transfer agreement signed on 25 April 2012, the Group that the Company is part of has assumed operational control of the hotels owned by the Group. The Company is therefore directly exposed to the risks associated with the hotel industry such as any further downturn in the general operating conditions in the UK provincial hotel industry and new hotel openings close to its existing sites.

The Company is also exposed to risks regarding property valuations in periods of market instability. This instability means that professional valuers are not able to value properties with the same degree of certainty as would be the case in a more stable market with a good level of transactional evidence to support valuations.

The Group that the Company is part of has bank loans of £318.2m (2011: £332.3m). The Group has taken appropriate measures to ensure that interest rate protection instruments are in place on part of these bank loans in order to minimise interest rate exposure.

## PARAMOUNT HOTELS (DAVENTRY) LIMITED

### DIRECTORS' REPORT (CONTINUED)

#### PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

The Company's exposure to credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful debts. The Company seeks to mitigate credit risk through credit checking and, where customers pay on departure, Company policy is to obtain a pre-authorised credit card for payment. In certain circumstances customers pay all or part of their stay in advance.

Liquidity and cash flow risk is managed on a Group basis. The Group's exposure to liquidity and cash flow risk is mitigated by the trade receivables procedures described above and by negotiating commercial payment terms with suppliers. The Group aims to mitigate liquidity risk by managing cash generation and uses through its operations. The extension of the maturity of the Group's senior debt facility and associated reduction of the interest payable have also benefited liquidity and mitigated cash flow risk.

#### GOING CONCERN

The Directors have considered the Company's cash flow forecasts. The principle activity of the Company is owning and operating a hotel. The Company also has significant amounts due from and due to Group undertakings. Puma Hotels plc and the Group have borrowings which are secured by way of fixed and floating charges over the Company's assets.

As the company is in a net liability position and as the future of the Company is dependent on the performance of the Group given the activities of the Company and charges over the Company's assets, the Directors have also considered the Group cash flow forecasts. The Group is in a net liability position and current net liability position and is reliant on continued support from its senior lender Irish Bank Resolution Corporation (in Special Liquidation) ('IBRC'), (formerly Anglo Irish Bank). The Group's operations are profitable and generating positive cash flows and are forecast to continue as such for the foreseeable future. On 28 June 2013, the term of the Group's senior debt facility ("the facility") was extended to 30 May 2014 with the financial covenants revised to reflect the current operating environment. The Directors have a reasonable expectation that the Group can comply with the revised financial covenants for the term of the facility. Although the term of the facility is for a period of less than 12 months from the date of approval of these financial statements, the Directors have a reasonable expectation that the Group can successfully renegotiate terms beyond 30 May 2014.

This indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. As the future of the Company is dependent on the performance of the Group and due to the fact that the Group's borrowings are secured by way of fixed and floating charges over the Company's assets, significant doubt also may exist over the ability of the Company to continue as a going concern. Therefore the Company may be unable to realise assets and/or discharge liabilities in the normal course of business. These financial statements do not include any adjustments that would result if the Company was unable to continue as a going concern.

After making such enquiries as necessary, and considering the uncertainties described above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

#### AUDITORS

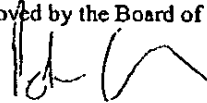
Each of the Directors at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution for the re-appointment of Deloitte LLP is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

  
Peter Procopis  
Director

26 September 2013

## **PARAMOUNT HOTELS (DAVENTRY) LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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 accounting 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 the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARAMOUNT HOTELS (DAVENTRY) LIMITED**

We have audited the financial statements of Paramount Hotels (Daventry) Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 21. 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 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 explained more fully in the Directors' Responsibilities Statement, 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 and express an opinion on 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 Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 2012 and of its loss 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 financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern.

The principal activity of the Company is owning and operating a hotel. The Company is in a net liability position and is reliant on continued support from the indirect parent company Puma Hotels plc and its subsidiaries (together 'the Group'). The Group borrowings are also secured by way of fixed and floating charges over the Company's assets. The Group is in a net liability and net current liability position and is reliant on continued support from its senior lender. As detailed in note 1 to the financial statements the Group's senior debt facility expires on 30 May 2014 and will need to be extended beyond that date.

This indicates the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern which in turn may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments which would result if the Company was unable to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
PARAMOUNT HOTELS (DAVENTRY) LIMITED (CONTINUED)**

**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



Sarah Sanders (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Douglas, Isle of Man

**26 SEP 2013**



# PARAMOUNT HOTELS (DAVENTRY) LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 December 2012

		Year ended 31 December 2012 £'000	Year ended 31 December 2011 Restated £'000
	Note		
<b>TURNOVER</b>	1		
Existing operations		-	-
Acquisitions		2,342	-
		<hr/>	<hr/>
Continuing operations		2,342	-
Discontinued operations		265	980
		<hr/>	<hr/>
<b>Total turnover</b>		2,607	980
Cost of sales		(351)	-
		<hr/>	<hr/>
<b>GROSS PROFIT</b>		2,256	980
Other administrative expenses		(1,488)	(183)
Administrative expenses - exceptional (deficit on revaluation of properties)		-	(5,976)
		<hr/>	<hr/>
<b>Total administrative expenses</b>		(1,488)	(6,159)
		<hr/>	<hr/>
<b>OPERATING PROFIT/(LOSS)</b>			
Existing operations		-	-
Acquisitions		503	-
		<hr/>	<hr/>
Continuing operations		503	-
Discontinued operations		265	(5,179)
		<hr/>	<hr/>
<b>Total operating profit/(loss)</b>		768	(5,179)
		<hr/>	<hr/>
Discontinued Operation Lease Termination fee received	10	695	-
Discontinued Operation Lease Termination Costs	10	(28)	-
Cost of fundamental reorganisation of continuing operations	10	(47)	-
		<hr/>	<hr/>
<b>Profit/(loss) on Ordinary activities before finance charges</b>		1,388	(5,179)
		<hr/>	<hr/>
Interest receivable and similar income	5	556	470
Interest payable and similar charges	6	(3,286)	(3,003)
		<hr/>	<hr/>
<b>(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	(1,342)	(7,712)
Tax on (loss) on ordinary activities	7	-	-
		<hr/>	<hr/>
<b>(LOSS) FOR THE FINANCIAL YEAR</b>	16	(1,342)	(7,712)
		<hr/>	<hr/>

The accompanying notes on pages 10 to 18 are an integral part of these financial statements

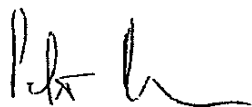
The comparatives have been restated to reflect the requirements of FRS3 "Reporting Financial Performance", see note 10.

# PARAMOUNT HOTELS (DAVENTRY) LIMITED

## BALANCE SHEET As at 31 December 2012

	Note	31 December 2012 £'000	31 December 2011 £'000
<b>FIXED ASSETS</b>			
Tangible assets	8	6,996	7,000
<b>CURRENT ASSETS</b>			
Stock		25	-
Debtors due within one year	11	158	-
Debtors due after one year	11	5,444	4,385
Cash at bank and in hand		101	-
		<u>5,728</u>	<u>4,385</u>
<b>CREDITORS: Amounts falling due within one year</b>	12	<u>(396)</u>	<u>(194)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>5,332</u>	<u>4,191</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>12,328</u>	<u>11,191</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	13	<u>(30,262)</u>	<u>(27,783)</u>
<b>NET LIABILITIES</b>		<u>(17,934)</u>	<u>(16,592)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	-	-
Revaluation reserve	16	-	-
Profit and loss account	16	<u>(17,934)</u>	<u>(16,592)</u>
<b>EQUITY SHAREHOLDERS' DEFICIT</b>	17	<u>(17,934)</u>	<u>(16,592)</u>

The financial statements of Paramount Hotels (Daventry) Limited, company number 5314294, were approved by the Board of Directors on 26 September 2013 and signed on its behalf by



Peter Procopis  
Director

The accompanying notes on pages 10 to 18 are an integral part of these financial statements.

## **PARAMOUNT HOTELS (DAVENTRY) LIMITED**

### **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES** **Year ended 31 December 2012**

	<b>31 December 2012 £'000</b>	<b>31 December 2011 £'000</b>
Retained loss for the financial year	(1,342)	(7,712)
Unrealised (deficit) on revaluation of property	-	-
<b>Total losses since last annual report and financial statements</b>	<b><u>(1,342)</u></b>	<b><u>(7,712)</u></b>

The accompanying notes on pages 10 to 18 are an integral part of these financial statements

## PARAMOUNT HOTELS (DAVENTRY) LIMITED

### NOTES TO THE ACCOUNTS

Year ended 31 December 2012

#### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. The following principal accounting policies have been applied consistently in both the current and preceding financial years.

##### **Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules as modified to include the revaluation of tangible fixed assets.

As a wholly owned subsidiary, the Company has availed itself of the exemption available to it under Financial Reporting Standard Number 8, not to disclose intra-group transactions.

Under Financial Reporting Standard Number 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds of it being a wholly owned subsidiary of Puma Hotels plc.

##### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position including its reliance on the group performance are also set out in the Directors' Report.

These financial statements have been prepared on the basis that the Company is a going concern. The Directors have considered the Company's cash flow forecasts. The principal activity of the Company is owning and operating a hotel. The Company also has significant amounts due from and due to Group undertakings. Puma Hotels plc and the Group have borrowings which are secured by way of fixed and floating charges over the Company's assets.

As the company is in a net liability position and as the future of the Company is dependent on the performance of the Group given the activities of the Company and charges over the Company's assets, the Directors have also considered the Group cash flow forecasts. The Group is in a net liability position and current net liability position and is reliant on continued support from its senior lender Irish Bank Resolution Corporation (in Special Liquidation) ('IBRC'), (formerly Anglo Irish Bank). The Group's operations are profitable and generating positive cash flows and are forecast to continue as such for the foreseeable future. On 28 June 2013, the term of the Group's senior debt facility ("the facility") was extended to 30 May 2014 with the financial covenants revised to reflect the current operating environment. The Directors have a reasonable expectation that the Group can comply with the revised financial covenants for the term of the facility. Although the term of the facility is for a period of less than 12 months from the date of approval of these financial statements, the Directors have a reasonable expectation that the Group can successfully renegotiate terms beyond 30 May 2014.

This indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. As the future of the Company is dependent on the performance of the Group and due to the fact that the Group's borrowings are secured by way of fixed and floating charges over the Company's assets, significant doubt also may exist over the ability of the Company to continue as a going concern. Therefore the Company may be unable to realise assets and/or discharge liabilities in the normal course of business. These financial statements do not include any adjustments that would result if the Company was unable to continue as a going concern.

After making such enquiries as necessary, and considering the uncertainties described above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

##### **Tangible assets**

Land and buildings were previously recognised as investment property. On 25 April 2012 the land and buildings were transferred from investment property to land and buildings as the Company began using the properties for the supply of goods and services.

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

No depreciation is provided on freehold land. Depreciation is provided on all tangible fixed assets, other than freehold land, on a straight line basis calculated to write off the cost or valuation, less estimated residual value, over their estimated useful economic lives as follows:

## PARAMOUNT HOTELS (DAVENTRY) LIMITED

### NOTES TO THE ACCOUNTS Year ended 31 December 2012

#### 1. ACCOUNTING POLICIES (CONTINUED)

##### Tangible assets (continued)

Land and buildings	over remaining life of the lease
Freehold buildings	up to 50 years
Plant and machinery	15 to 20 years
Furniture, fittings, equipment and motor vehicles	5 to 15 years

##### Revaluation of Properties

It is the Company's policy to periodically revalue its land and buildings and recognise the assets at the revalued amount. The current value of land and buildings is assessed by the Directors at each balance sheet date. A full independent valuation is obtained when considered necessary by the Directors and at least every five years, with interim valuations in the third year.

Land and buildings are assessed for impairment when any indicators of impairment are identified. In making this assessment, the Directors consider market conditions and the trading performance of cash generating units in which the assets are located.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the profit and loss account to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense in the profit and loss account to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment on a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

##### Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the Company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. These assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals payable are treated as consisting of capital and finance elements. The capital element is applied to reduce the outstanding obligations and the finance element is charged to the profit and loss account as interest. Assets held under finance leases are depreciated over the useful lives of equivalent owned assets.

##### Taxation

Current tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

# PARAMOUNT HOTELS (DAVENTRY) LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2012

### 1. ACCOUNTING POLICIES (CONTINUED)

#### Taxation (continued)

Deferred tax is not recognized 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 at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date

#### Turnover

Following a change in the principal activity of the Company from 25 April 2012, revenue recognised has changed from rental lease income to revenue derived from goods and services sold

Revenue is the value of goods and services sold to third parties as part of the Group's trading activities, after deducting discounts and sales based taxes. Hotel revenue, including the rental of rooms and food and beverage sales from a hotel, is recognised when rooms are occupied and food and beverages are sold

#### Stocks

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

### 2. SEGMENTAL ANALYSIS

The Company's turnover, loss before taxation and net liabilities are derived from its principal activity within the UK and as such no segmental information has been disclosed.

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Directors received no emoluments in the financial year (31 December 2011 £nil). Emoluments paid to the Directors are disclosed in the financial statements of Puma Hotels plc. With the exception of the Directors, the Company had no employees. All other employees of the Group are employed by Paramount Hotels Services Limited.

### 4. (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	31 December 2012 £'000	31 December 2011 £'000
Profit/(Loss) on ordinary activities before taxation is stated		
After crediting:		
Rent receivable from management agreement with Barceló Hotels and Resorts	265	980
After charging:		
Depreciation of tangible fixed assets	7	-
Auditor's remuneration for the audit of the Company's accounts pursuant to legislation	4	-
	<u>          </u>	<u>          </u>

### 5. INTEREST RECEIVABLE AND SIMILAR INCOME

	31 December 2012 £'000	31 December 2011 £'000
Interest receivable from group undertakings	556	470
	<u>          </u>	<u>          </u>

# PARAMOUNT HOTELS (DAVENTRY) LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2012

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

31 December 2012 £'000	31 December 2011 £'000
Interest payable to group undertakings	
<u>3,286</u>	<u>3,003</u>

### 7. TAX ON LOSS ON ORDINARY ACTIVITIES

31 December 2012 £'000	31 December 2011 £'000
Corporation tax credit in respect of :	
Group relief - current year	-
Adjustment in respect of prior year	-
<u>Total current tax</u>	<u>-</u>
Deferred tax (note 14)	
Origination and reversal of timing differences	-
<u>Tax on loss on ordinary activities</u>	<u>-</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows

	31 December 2012 £'000	31 December 2011 £'000
<b>Current tax reconciliation</b>		
Loss on ordinary activities before taxation	(1,342)	(7,712)
Tax on loss on ordinary activities at standard UK corporation tax rate of 24% (2011: 26.5%)	(322)	(2,044)
Effects of		
Reduction of assets not deductible for tax purposes	-	1,584
Utilised losses	-	-
Gain transferred to group company	(147)	-
Effect of change in tax rate	(7)	-
Expenses not deductible for tax purposes	19	-
Group relief for nil consideration	457	468
Permanent timing differences	-	(8)
<u>Current tax credit for year</u>	<u>-</u>	<u>-</u>

# PARAMOUNT HOTELS (DAVENTRY) LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2012

### 8. TANGIBLE FIXED ASSETS

	Investment Properties £'000	Land & Buildings £'000	Plant & Equipment £'000	Total Tangible Fixed Assets £'000
<b>Cost or valuation</b>				
At the beginning of year	7,000	-	-	7,000
Transfer from Investment property	(7,000)	7,000	-	-
Additions	-	-	3	3
At end of year	-	7,000	3	7,003
<b>Accumulated Depreciation</b>				
At the beginning of year	-	-	-	-
Charge for the year	-	(6)	(1)	(7)
At end of year	-	(6)	(1)	(7)
<b>Net book value</b>				
At 31 December 2012	-	6,994	2	6,996
At 31 December 2011	7,000	-	-	7,000

Land and buildings were previously recognised under investment property. On 25 April 2012 the land and buildings were transferred from investment property to land and buildings as the Company began using the property for the supply of goods and services.

The value of the Company's land and buildings on transition from investment property has been arrived at on the basis of a valuation carried out at March 2012 performed by Christie + Co. Chartered Surveyors who valued the property at £7.0m. The valuation was performed in accordance with the Royal Institute of Chartered Surveyor Valuation Standards.

The historical cost and net book value of the Company's freehold and long leasehold land and building (2011 Investment properties) is as follows:

	Land & Buildings 31 December 2012 £'000	Investment properties 31 December 2011 £'000
Historical cost	13,464	13,464
Historical net book value	13,348	13,359



## PARAMOUNT HOTELS (DAVENTRY) LIMITED

### NOTES TO THE ACCOUNTS

Year ended 31 December 2012

#### 9. ACQUISITION OF BUSINESS OPERATIONS

As a result of the termination of the leases with Barceló, on 25 April 2012 the Company acquired the hotel operations, which had previously been operated by Barceló. In the period from 25 April 2012 to 31 December 2012 the hotel operations contributed revenue of £2,342,000 to the Company results.

The amounts recognised in respect of identifiable assets acquired and liabilities assumed are as set out in the table below.

	£'000
Financial Assets	38
Stock	28
Financial liabilities	(111)
<b>Total identifiable net liabilities</b>	<b>(45)</b>
Goodwill	-
<b>Total consideration</b>	<b>(45)</b>
Satisfied by	
Intercompany Debtor	(45)
<b>Net Cash outflow arising on acquisition</b>	<b>-</b>

There is no goodwill arising from the acquisition as the Company has assumed a total value of liabilities in return for an equal amount of intercompany debtor.

#### 10. DISCONTINUED OPERATIONS

In April 2012 the Group announced the early termination of the leases with Barceló following the takeover of the hotel operations from the lessee on 25 April 2012. Activities prior to this date therefore fall within the definition of discontinued operations within FRS 3 "Reporting Financial Performance" and have been presented as a discontinued operation within these financial statements. Continuing operations now relate to the operation of hotels, which commenced on 25 April 2012.

No assets or liabilities have been disposed of following the change in principal operations. The property held by the Company has been transferred from investment property to land and buildings as the Company is now using the property for the supply of goods and services.

As required by FRS 3 "Reporting Financial Performance", comparative information presented in the financial statements has been restated to segregate the continuing and discontinuing income and expenses. The impact of this restatement was to remove the lease income for the year ended 31 December 2011 from revenue and to recognise this as part of the discontinued operations profit/(loss).

As part of the early termination of the lease with Barceló, the Company received a lease termination fee of £695,000. The Company incurred one-off costs associated to the termination of the lease of £29,000. Subsequent expenditure to reorganise the operations of the Company following the termination of the lease and acquisition of the hotel operations as disclosed in note 9, which had a material effect on the nature and focus of the Company's operations, have been separately disclosed in the profit and loss account.

# PARAMOUNT HOTELS (DAVENTRY) LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2012

### 11. DEBTORS

	31 December 2012 £'000	31 December 2011 £'000
<b>Amounts falling due within one year</b>		
Trade Debtors	125	-
Prepayments	33	-
	<u>158</u>	<u>-</u>
<b>Amounts falling due after one year</b>		
Amounts due from group undertakings	5,444	4,385
	<u>5,444</u>	<u>4,385</u>

As detailed in note 1, Going Concern, the Directors believe that the Group operational profits will increase over the medium term which will enable amounts due from group undertakings to be settled in due course. The Company has provided written confirmation to its group undertakings that it will not ask for repayment within the next 12 months.

### 12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2012 £'000	31 December 2011 £'000
Trade Creditors	113	-
VAT Creditor	118	-
Other creditors	4	-
Accruals and deferred income	161	194
	<u>396</u>	<u>194</u>

### 13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 2012 £'000	31 December 2011 £'000
Amounts due to group undertakings	30,262	27,783
	<u>30,262</u>	<u>27,783</u>

The Company has received written confirmation from its group undertakings that they will not ask for repayment within the next 12 months.

# PARAMOUNT HOTELS (DAVENTRY) LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2012

### 14. PROVISIONS FOR LIABILITIES

	31 December 2012 £'000	31 December 2011 £'000
<i>Deferred taxation</i>		
At beginning of year	-	-
Transfer to profit and loss account	-	-
At end of year	-	-

The amounts provided for the deferred taxation liability and the amounts not provided are set out below

	31 December 2012		31 December 2011	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Difference between accumulated depreciation and capital allowances	-	(2)	383	-
Other timing differences (losses)	-	(1,275)	(383)	(664)
	-	(1,277)	-	(664)

### 15. SHARE CAPITAL

	31 December 2012 £	31 December 2011 £
<b>Authorised</b>		
1,000 Ordinary shares of £1 each	1,000	1,000
<b>Allotted, issued and fully paid</b>		
1 Ordinary share of £1 each	1	1

#### *Rights applying to the Ordinary Shares*

#### *i) Dividend and Capital*

In addition to being solely entitled to any distribution of profits which the Directors resolve to make in any year, the holders of the Ordinary Shares are entitled to a proportion of any dividend or distribution made on winding up. The shares are not redeemable.

#### *ii) Voting Rights*

At any general meeting on a show of hands every Ordinary Shareholder who is present in person or by proxy shall have one vote and on a poll every Ordinary Shareholder who is present in person or by proxy shall have one vote for every share of which he is the holder.

### 16. RESERVES

	Revaluation Reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2012	-	(16,592)	(16,592)
Retained loss for the financial year	-	(1,342)	(1,342)
At 31 December 2012	-	(17,934)	(17,934)

## PARAMOUNT HOTELS (DAVENTRY) LIMITED

### NOTES TO THE ACCOUNTS

Year ended 31 December 2012

#### 17. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' DEFICIT

	31 December 2012 £'000	31 December 2011 £'000
Opening equity shareholders' deficit	(16,592)	(8,880)
Loss for the financial year	(1,342)	(7,712)
Revaluation	-	-
Closing equity shareholders' deficit	<u>(17,934)</u>	<u>(16,592)</u>

#### 18. FINANCIAL COMMITMENTS

The Company has no annual commitments under non-cancellable operating leases

#### 19. CONTINGENT LIABILITIES

The Company is a participant in its fellow group undertaking's and indirect parent (Paramount Hotels Holdings Limited and Puma plc) term loan borrowings whereby these borrowings are secured by a fixed and floating charge over the Company's assets

#### 20. ULTIMATE CONTROLLING PARTY

The entire issued share capital of the Company is indirectly owned by Puma Hotels plc, a company incorporated in Great Britain and registered in England and Wales. The Group accounts of Puma Hotels plc, which represents the largest and smallest group in which the Company is consolidated, can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3UZ.

The Hotel Corporation plc owns 49.9% of the ordinary shares and 58.9% of the preference shares of Puma Hotels plc. The Hotel Corporation plc previously consolidated the Group, however during the year ended 31 December 2012 The Hotel Corporation plc took an exemption available under IFRS 10 Consolidated Financial Statements, as amended, and no longer consolidates the Group.

#### 21. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

As detailed in note 1, on 28 June 2013, the Group's senior debt facility was renegotiated for an amount of £323.1m and the term extended to 30 May 2014. Covenants within the facility were revised to reflect the current operating environment. The interest rate margin on the debt facility was reduced and a deferred facility fee was introduced. This deferred facility fee does not require repayment until the senior debt facility is repaid. The loan remains secured against the properties within the Group with unlimited guarantees provided by all the subsidiaries of the indirect parent company, Puma Hotels plc.