

**Company number 06025036**

**CURZON HOTELS (OPERATOR) LIMITED**

**Report and financial statements**

**For the 52 week period from  
02 January 2012 to 30 December 2012**

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## **CURZON HOTELS (OPERATOR) LIMITED**

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## **CURZON HOTELS (OPERATOR) LIMITED**

### **DIRECTORS' REPORT**

**For the 52 week period ended 30 December 2012**

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The directors present their report and the audited financial statements for the 52 week period ended 30 December 2012

### **COMPANY STATUS AND PRINCIPAL ACTIVITIES**

Curzon Hotels (Operator) Limited is a limited liability company domiciled and registered in England. The principal activity of the company is the ownership and operation of hotels in the UK.

### **REVIEW OF THE BUSINESS AND FUTURE PROSPECTS**

The loss for the period was £7,212,898 (2011 loss £12,580,761). The results for the period are set out in the profit and loss account and statement of total recognised gains and losses on pages 7 and 8 respectively. The key performance indicators used to measure the trading performance of the hotels are occupancy percentage, average room rate (ARR) and revenue per available room (Revpar). During the trading period, occupancy was 68.5% (2011 69.9%), the ARR was £65.71 (2011 £67.08) and Revpar was £45 (2011 £47). The prevailing economic conditions continue to make it a challenging market place.

The directors do not recommend the payment of a dividend.

### **PRINCIPAL RISKS**

#### **Competitive risk**

The principal business risks and uncertainties facing the company arise from economic conditions in the main geographical market outside London. Business and consumer confidence has a significant impact on the company's level of business and hence profitability.

#### **Liquidity risk and bank covenant compliance**

The company is funded by a mixture of equity and debt. The company's liquidity requirements are determined by means of regular review. Where surplus funds arise, these are generally placed on a fixed term deposit. Adequate liquidity is maintained at all times to ensure the company can meet its ongoing obligations.

The total bank loan outstanding at 30 December 2012 was £34,461,232. The term of the bank loan expired on 30 June 2012 and at the year end it was repayable on demand. The loan is subject to financial covenant testing which includes a quarterly interest cover ratio ("ICR") test and a periodic loan to value ("LTV") test. If the LTV had been formally tested by the lender at the most recent test date of 31 March 2012 it would have been failed.

On 7 February 2013, Irish Bank Resolution Corporation Limited ("IBRC"), the provider of the bank loan, was placed into special liquidation. The wider implications of this are unclear, however through discussion with IBRC, the directors understand that it is expected that the liquidator will review the bank's existing loans, value them and then seek to dispose of these within the next 12 months. Those loans not sold for their ascribed valuations are expected to be transferred to the National Asset Management Agency ("NAMA") to continue the managed repayment of the loans.

#### **Currency risk**

The company is not exposed to any foreign exchange risk.

#### **Interest rate risk**

Until last year, the company used fixed rate debt and interest rate derivatives as protection against adverse interest rate movements. The existing bank interest rate swap expired in 2011 and the Company will review the hedging arrangements if the term of the loan is formally extended.

## **CURZON HOTELS (OPERATOR) LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

**For the 52 week period ended 30 December 2012**

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#### **Going concern**

The Directors continue to adopt the going concern basis in preparing the annual report and financial statements. However, until the above matters are resolved, there is a material uncertainty that may cast significant doubt as to whether the company can continue as a going concern and, therefore, it may 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 were unable to continue as a going concern.

#### **POLICY AND PRACTICE ON PAYMENT OF CREDITORS**

The policy of the company concerning the payment of suppliers is either to agree terms of payment at the start of business with each supplier or to ensure that the supplier is made aware of the standard payment terms applied by the company and to pay in accordance with its contractual or other legal obligations. The average trade creditor days of the company during the period were 20 days (2011: 55 days).

#### **DIRECTORS AND DIRECTORS' INTERESTS**

The directors who held office during the financial period were as follows:

Howard Grace  
Iain Habbick  
Craig Johnston

No director had any interest in, or rights to subscribe for, shares or debentures in the company.

#### **EMPLOYEE MATTERS**

The company's policy of providing employees with information about the company has continued and regular meetings are held between management and employees to allow exchanges of information and ideas.

The company gives every consideration to applications for employment by disabled persons where the requirements of the job may be adequately filled by a disabled person. Where existing employees become disabled, it is the company's policy wherever practical to provide continuing employment under similar terms and conditions and to provide training, career development and promotion wherever appropriate.

#### **PROVISION OF INFORMATION TO AUDITORS**

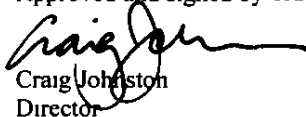
In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

#### **AUDITORS**

BDO LLP have expressed their willingness to continue in office. Under Companies Act 2006 section 487(2) they will automatically be re-appointed as auditors 28 days after these accounts are sent to the members, unless the members exercise their rights under the Companies Act 2006 to prevent their re-appointment.

Approved and signed by order of the board by

  
Craig Johnston  
Director

22 March 2013  
Registered Office: 7 Curzon Street, London W1J 5HG

## **CURZON HOTELS (OPERATOR) LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

**For the 52 week period ended 30 December 2012**

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The directors are responsible for preparing the Directors' 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 judgements 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **CURZON HOTELS (OPERATOR) LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CURZON HOTELS (OPERATOR) LIMITED**

**For the 52 week period ended 30 December 2012**

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We have audited the financial statements of Curzon Hotels (Operator) Limited for the 52 week period ended 30 December 2012 which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses 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 statement of directors' responsibilities, 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 (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 30 December 2012 and of its loss for the 52 week period 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 disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company is reliant on the continued availability of funding from its bankers, IBRC. IBRC is in special liquidation and the directors have received no indication from the liquidators with regard to their intentions in respect of the debt.

This condition, along with other matters disclosed in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

**CURZON HOTELS (OPERATOR) LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CURZON HOTELS (OPERATOR) LIMITED (CONTINUED)**

**For the 52 week period ended 30 December 2012**

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**Opinion on other matters prescribed by the Companies Act 2006**

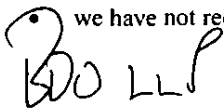
In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements

**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



Gary Hanson (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom

28 March 2013

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

**CURZON HOTELS (OPERATOR) LIMITED****PROFIT AND LOSS ACCOUNT****For the 52 week period ended 30 December 2012**

	Notes	Period from 02 January 2012 to 30 December 2012 £	Period from 27 December 2010 to 01 January 2012 £
<b>Turnover</b>	1,2	83,371,970	89,921,583
<b>Cost of sales</b>		(76,305,294)	(86,009,896)
<b>Gross profit</b>		<u>7,066,676</u>	<u>3,911,687</u>
<b>Other administrative expenses</b>		(6,775,474)	(7,896,486)
<b>Operating profit / (loss)</b>	3	291,202	(3,984,799)
<b>Loss on disposal of tangible fixed asset</b>	9	(1,293,580)	-
<b>Loss on ordinary activities before finance charges</b>		<u>(1,002,378)</u>	<u>(3,984,799)</u>
<b>Interest receivable and similar income</b>	5	48,683	102,990
<b>Interest payable and similar charges</b>	6	(6,259,203)	(8,851,566)
<b>Loss on ordinary activities before taxation</b>		<u>(7,212,898)</u>	<u>(12,733,375)</u>
<b>Taxation credit for the period</b>	1,7	-	152,614
<b>Loss on ordinary activities after taxation</b>		<u>(7,212,898)</u>	<u>(12,580,761)</u>

All results relate to continuing operations and the company's principal activity which is solely conducted in the United Kingdom

The accompanying notes on pages 11 to 21 form an integral part of these financial statements



**CURZON HOTELS (OPERATOR) LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**For the 52 week period ended 30 December 2012**

		Period from 02 January 2012 to 30 December 2012 £	Period from 27 December 2010 to 01 January 2012 £
	Notes		
Reported loss on ordinary activities before and after taxation		(7,212,898)	(12,580,761)
Unrealised gain on revaluation of short leasehold property	9	1,044,849	376,970
<b>Total recognised losses relating to the period</b>		<b>(6,168,049)</b>	<b>(12,203,791)</b>

The accompanying notes on pages 11 to 21 form an integral part of these financial statements

**CURZON HOTELS (OPERATOR) LIMITED****BALANCE SHEET****As at 30 December 2012**

Company number 06025036

	Notes	30 December 2012 £	01 January 2012 £
<b>Fixed assets</b>			
Intangible assets Goodwill	8	-	-
Tangible assets	9	40,740,987	47,707,577
		<u>40,740,987</u>	<u>47,707,577</u>
<b>Current assets</b>			
Stock and work in progress	10	442,391	434,428
Debtors	11	12,235,918	8,002,276
Cash at bank and in hand		14,807,736	13,381,778
		<u>27,486,045</u>	<u>21,818,482</u>
Creditors' amounts falling due within one year	12	(78,826,997)	(77,369,220)
<b>Net current liabilities</b>		<u>(51,340,952)</u>	<u>(55,550,738)</u>
<b>Total assets less current liabilities</b>		(10,599,965)	(7,843,161)
Creditors' amounts falling due after one year	13	(65,736,055)	(62,324,810)
<b>Net liabilities</b>		<u>(76,336,020)</u>	<u>(70,167,971)</u>
<b>Capital and reserves</b>			
Share capital	14	2	2
Revaluation reserve	15	3,349,616	2,304,767
Profit and loss account		(79,685,638)	(72,472,740)
<b>Shareholders' deficit</b>	16	<u>(76,336,020)</u>	<u>(70,167,971)</u>

These financial statements were approved by the board of directors and authorised for issue on 22 March 2013 and signed on its behalf by



Craig Johnston

Director

The accompanying notes on pages 11 to 21 form an integral part of these financial statements

**CURZON HOTELS (OPERATOR) LIMITED****CASH FLOW STATEMENT****For the 52 week period ended 30 December 2012**

	Notes	Period from 02 January 2012 to 30 December 2012 £	Period from 27 December 2010 to 01 January 2012 £
<b>Net cash inflow from operating activities</b>	17	4,685,335	1,661,612
<b>Returns on investments and servicing of finance</b>			
Interest paid		(1,289,345)	(2,068,053)
Interest received		51,445	103,985
<b>Net cash outflow from returns on investment and servicing of finance</b>		(1,237,900)	(1,964,068)
<b>Taxation received</b>		-	291,069
<b>Capital expenditure and financial investment</b>			
Capital expenditure		(2,054,433)	(2,764,486)
Proceeds from sale of tangible fixed asset		3,334,160	-
<b>Net cash inflow / (outflow) from capital expenditure and financial investment</b>		1,279,727	(2,764,486)
<b>Net cash inflow / (outflow) before financing</b>		4,727,162	(2,775,873)
<b>Financing</b>			
Debt repaid		(3,301,204)	-
<b>Increase / (decrease) in cash in the period 18,19</b>		1,425,958	(2,775,873)

The accompanying notes on pages 11 to 21 form an integral part of these financial statements

## **CURZON HOTELS (OPERATOR) LIMITED**

### **NOTES TO THE ACCOUNTS**

**For the period ended 30 December 2012**

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#### **1 ACCOUNTING POLICIES**

##### **Basis of accounts preparation**

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

##### **Accounting convention**

The financial statements are prepared under the historical cost convention, as modified by the revaluation of properties, and on the going concern basis, in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

##### **Going concern**

The company's business activities, together with the factors likely to affect its future development, performance, position and principal risks and uncertainties are set out in the directors' report on pages 2 and 3. The current economic conditions create uncertainty, particularly over the future trading performance and valuations of the hotels and the Company's bank financing. The term of the £34.5m bank loan expired on 30 June 2012 and as at the year end it was repayable on demand. Furthermore the loan is subject to financial covenant testing which includes a quarterly interest cover ratio ("ICR") test and a periodic loan to value ("LTV") test. If the LTV had been formally tested by the lender at the most recent test date of 31 March 2012 it would have been failed.

On 7 February 2013, Irish Bank Resolution Corporation Limited ("IBRC"), the provider of the bank loan, was placed into special liquidation. The wider implications of this are unclear, however through discussion with IBRC, the directors understand that it is expected that the liquidator will review the bank's existing loans, value them and then seek to dispose of these within the next 12 months. Those loans not sold for their ascribed valuations are expected to be transferred to the National Asset Management Agency ("NAMA") to continue the managed repayment of the loans.

Until these matters are resolved, there is a material uncertainty that may cast significant doubt as to whether the company can continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The company is reliant on the continued support of its intermediate parent company, Curzon Hotel Investments Limited and its related party Curzon Finance Sarl. The directors of Curzon Hotel Investments Limited and Curzon Finance Sarl have confirmed that the respective loans due from the company (see note 13) will not be called for repayment within the next 12 months. In addition the amounts due to Curzon Hotel Investments Limited and Curzon Finance Sarl are subordinate to the bank loan.

Notwithstanding the above matters, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

##### **Goodwill**

Goodwill arising on the acquisition of a business, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 20 years.

## **CURZON HOTELS (OPERATOR) LIMITED**

### **NOTES TO THE ACCOUNTS (CONTINUED)**

**For the period ended 30 December 2012**

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#### **1 ACCOUNTING POLICIES (CONTINUED)**

Impairment tests on goodwill amortised over 20 years are undertaken at the end of the first full financial year following acquisition and then subsequently when an indicator of impairment exists

Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly

##### **Fixed assets**

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates

- Short leasehold property – Short leasehold properties (under 100 years) are depreciated over the remaining life of the lease
- Short leasehold additions – Fixtures and fittings, including integral plant and the non-core elements of buildings, are depreciated over the average estimated useful life of between 5 and 15 years

##### **Revaluation of properties**

Individual freehold and leasehold properties are revalued every year with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account.

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 of 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.

##### **Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

##### **Debt**

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period. Issue costs are amortised in the profit and loss account at a constant rate on the carrying amount of the debt.

##### **Turnover**

Turnover represents sales to external customers at invoiced amounts, net of trade discounts, VAT and other sales-related taxes. Turnover comprises income from the provision of hotel services and is recognised when the service is provided.

## **CURZON HOTELS (OPERATOR) LIMITED**

### **NOTES TO THE ACCOUNTS (CONTINUED)**

**For the period ended 30 December 2012**

#### **1 ACCOUNTING POLICIES (CONTINUED)**

##### **Taxation**

Current tax, including UK corporation tax is provided at amounts expected to be paid (or recovered) using the rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that

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

Deferred tax balances are not discounted

##### **Pension costs**

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the period in which they become payable

##### **Leases**

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis

#### **2 TURNOVER**

In the view of the directors there is only one geographical segment, that being the UK

#### **3 OPERATING PROFIT / (LOSS)**

	Period from 02 January 2012 to 30 December 2012 £	Period from 27 December 2010 to 01 January 2012 £
Operating profit / (loss) is stated after charging		
Depreciation of tangible fixed assets	5,399,114	6,067,391
Operating lease rentals – land and buildings	13,419,543	23,374,068
Audit of the company accounts	34,300	34,300
Audit related assurance services	11,200	11,200

**CURZON HOTELS (OPERATOR) LIMITED****NOTES TO THE ACCOUNTS (CONTINUED)****For the period ended 30 December 2012**

<b>4</b>	<b>STAFF COSTS</b>	Period from 02 January 2012 to 30 December 2012 £	Period from 27 December 2010 to 01 January 2012 £
	Employees (excluding directors)		
	Wages and salaries	23,829,787	24,447,645
	Social security costs	1,593,908	1,941,688
	Other pension costs	218,622	500,602
		<u>25,642,317</u>	<u>26,889,935</u>
	The average number of employees (excluding directors) was as follows		
	Operations	Number 1,745	Number 1,756
		<u>1,745</u>	<u>1,756</u>
	The directors of the company do not receive emoluments from the company		
<b>5</b>	<b>INTEREST RECEIVABLE AND SIMILAR INCOME</b>	Period from 02 January 2012 to 30 December 2012 £	Period from 27 December 2010 to 01 January 2012 £
	Bank interest receivable	<u>48,683</u>	<u>102,990</u>
<b>6</b>	<b>INTEREST PAYABLE AND SIMILAR CHARGES</b>	Period from 02 January 2012 to 30 December 2012 £	Period from 27 December 2010 to 01 January 2012 £
	Bank loan interest payable	2,424,354	5,140,396
	Finance cost amortisation	-	131,568
	Other finance costs	35,000	35,000
	Other loan interest payable	3,799,849	3,544,602
		<u>6,259,203</u>	<u>8,851,566</u>

**CURZON HOTELS (OPERATOR) LIMITED****NOTES TO THE ACCOUNTS (CONTINUED)****For the period ended 30 December 2012****7 TAXATION**

	Period from 02 January 2012 to 30 December 2012 £	Period from 27 December 2010 to 01 January 2012 £
Current tax		
Adjustments in respect of previous years	-	(152,614)

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

	Period from 02 January 2012 to 30 December 2012 £	Period from 27 December 2010 to 01 January 2012 £
Loss on ordinary activities before taxation	(7,212,898)	(12,733,375)
Tax credit on loss on ordinary activities at standard UK Corporation tax rate of 24.5% (prior period 26.5%)	(1,767,160)	(3,374,344)
Effects of		
Expenses not deductible for tax purposes	316,927	919,305
Depreciation in excess/(shortage) of capital allowances	(43,864)	(388,444)
Capital gains	579	-
Losses not utilised	1,493,518	2,843,483
Adjustments in respect of prior years	-	(152,614)
Current tax credit for the period	-	(152,614)

**8 INTANGIBLE FIXED ASSETS: GOODWILL**

	Period from 02 January 2012 to 30 December 2012 £
Cost	
At 02 January 2012	17,013,357
Disposal	(1,370,925)
At 30 December 2012	15,642,432
Amortisation and impairment	
At 02 January 2012	17,013,357
Disposal	(1,370,925)
At 30 December 2012	15,642,432
Net book value at 02 January and 30 December 2012	-



**CURZON HOTELS (OPERATOR) LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**For the period ended 30 December 2012**

<b>9 TANGIBLE FIXED ASSETS</b>	<b>Short leasehold property £</b>	<b>Short leasehold additions £</b>	<b>Total £</b>
Cost or valuation			
At 02 January 2012	16,091,662	53,052,404	69,144,066
Additions	45,654	1,969,761	2,015,415
Disposal	-	(7,036,774)	(7,036,774)
Revaluations	1,044,849	-	1,044,849
At 30 December 2012	<u>17,182,165</u>	<u>47,985,391</u>	<u>65,167,556</u>
Depreciation			
At 02 January 2012	2,811,662	18,624,827	21,436,489
Disposal	-	(2,409,034)	(2,409,034)
Charge for the period	490,503	4,908,611	5,399,114
At 30 December 2012	<u>3,302,165</u>	<u>21,124,404</u>	<u>24,426,569</u>
Net book value			
At 30 December 2012	<u>13,880,000</u>	<u>26,860,987</u>	<u>40,740,987</u>
At 01 January 2012	<u>13,280,000</u>	<u>34,427,577</u>	<u>47,707,577</u>

The short leasehold property was valued at market value as at 30 December 2012 at £13,880,000 (2011 £13,280,000) by CB Richard Ellis Hotels Limited in accordance with the Practice Statements of the RICS Appraisal and Valuation Standards

The historical cost of the property at 30 December 2012 was £14,286,717 (2011 £14,241,063) The historic depreciated cost of the property at 30 December 2012 was £10,530,384 (2011 £10,975,233)

**Disposal of asset**

On 13 February 2012, CHPLP disposed of the Kingsley Hotel, Bloomsbury The leasehold additions to that hotel recorded in the tangible fixed assets of the company with a book value of £4 6m were sold for £3 4m as part of that disposal

The disposal is analysed as follows

	<b>Total £</b>
Consideration	3,350,000
Net asset at disposal	(4,627,740)
	<u>(1,277,740)</u>
Disposal costs	(15,840)
Loss on disposal	<u>(1,293,580)</u>

**CURZON HOTELS (OPERATOR) LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED)**

**For the period ended 30 December 2012**

<b>10</b>	<b>STOCK AND WORK IN PROGRESS</b>	<b>30 December 2012</b>	<b>01 January 2012</b>
		<b>£</b>	<b>£</b>
	Food and beverage stocks	442,391	434,428
		<u>          </u>	<u>          </u>
<b>11</b>	<b>DEBTORS: DUE IN LESS THAN ONE YEAR</b>	<b>30 December 2012</b>	<b>01 January 2012</b>
		<b>£</b>	<b>£</b>
	Trade debtors	3,697,374	4,300,331
	Other debtors	3,242,724	2,183,832
	Prepayments and accrued income	1,569,112	1,518,113
	Amounts due from group undertaking	3,726,708	-
		<u>12,235,918</u>	<u>8,002,276</u>
		<u>          </u>	<u>          </u>
<b>12</b>	<b>CREDITORS: AMOUNTS DUE IN LESS THAN ONE YEAR</b>	<b>30 December 2012</b>	<b>01 January 2012</b>
		<b>£</b>	<b>£</b>
	Bank loan (secured)	34,461,232	37,753,649
	Trade creditors	5,343,705	12,809,516
	Amounts owed to group undertaking	-	3,195,347
	Other creditors	3,082,932	2,199,403
	Other taxation and social security	1,781,294	2,281,511
	Accruals and deferred income	34,157,834	19,129,794
		<u>78,826,997</u>	<u>77,369,220</u>
		<u>          </u>	<u>          </u>

The bank loan is secured on the assets, property and all undertakings of the company and jointly with the assets, property and undertakings of a fellow group subsidiary, Curzon Hotel Properties Limited Partnership

The bank loan of £34,461,232 is with Irish Bank Resolution Corporation Limited and forms part of a larger joint facility of £255,121,221 secured on the assets, property and all undertakings of the company and its fellow group subsidiary, Curzon Hotel Properties Limited Partnership ("CHPLP") The loan was repayable in full on 30 June 2012 The senior facility of £1,957,583 incurs interest at LIBOR plus 2 125% and the remaining facility of £32,503,649 incurs interest at LIBOR plus 2 5% The interest hedging facility expired on 30 December 2011

The term of the £34,461,232 bank loan expired on 30 June 2012 and as at the year end it was repayable on demand The bank loan is subject to financial covenant testing which includes a quarterly interest cover ratio ("ICR") test and a periodic loan to value ("LTV") test If the LTV had been formally tested by the lender at the most recent test date of 31 March 2012 it would have exceeded the 100% test criteria

**CURZON HOTELS (OPERATOR) LIMITED****NOTES TO THE ACCOUNTS (CONTINUED)**

For the period ended 30 December 2012

**12 CREDITORS: AMOUNTS DUE IN LESS THAN ONE YEAR (CONTINUED)**

On 7 February 2013, Irish Bank Resolution Corporation Limited ("IBRC"), the provider of the bank loan, was placed into special liquidation. The wider implications of this are unclear, however through discussion with IBRC, the directors understand that it is expected that the liquidator will review the bank's existing loans, value them and then seek to dispose of these within the next 12 months. Those loans not sold for their ascribed valuations are expected to be transferred to the National Asset Management Agency ("NAMA") to continue the managed repayment of the loans.

Until these matters are resolved, there is a material uncertainty that may cast significant doubt as to whether the company can continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

<b>13 CREDITORS: AMOUNTS DUE IN MORE THAN ONE YEAR</b>	<b>30 December 2012</b>	<b>01 January 2012</b>
	<b>£</b>	<b>£</b>
Other loan (related party)	25,947,414	22,527,382
Amount owed to group undertaking	39,788,641	39,797,428
	<u>65,736,055</u>	<u>62,324,810</u>

<b>Maturity of debt</b>	<b>Bank loans</b>	<b>Other loans</b>	<b>Bank loans</b>	<b>Other loans</b>
	<b>30 December</b>	<b>30 December</b>	<b>01 January</b>	<b>01 January</b>
	<b>2012</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Due in less than one year	34,461,232	-	37,753,649	-
Due between one and two years	-	65,736,055	-	62,324,810
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

Included in other loan and amount owed to group undertaking are the following unsecured loans

	<b>Repayment date</b>	<b>Interest rate</b>	<b>30 December 2012</b>	<b>01 January 2012</b>
		<b>%</b>	<b>£</b>	<b>£</b>
Other loan				
Curzon Finance Sarl	21 March 2015	15.0	25,947,414	22,527,382
			<u>                    </u>	<u>                    </u>
Amount owed to group undertaking				
Curzon Hotel Investments Limited	21 March 2015	nil	39,788,641	39,797,428
			<u>                    </u>	<u>                    </u>

**CURZON HOTELS (OPERATOR) LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED)**

**For the period ended 30 December 2012**

<b>14</b>	<b>SHARE CAPITAL</b>	<b>30 December 2012</b>	<b>01 January 2012</b>
		£	£
	Authorised		
	100 Ordinary shares of £1 each	100	100
		<hr/>	<hr/>
	Allotted, called up and fully paid		
	2 Ordinary shares of £1 each	2	2
		<hr/>	<hr/>
<b>15</b>	<b>REVALUATION RESERVE</b>	<b>30 December 2012</b>	<b>01 January 2012</b>
		£	£
	At 02 January 2012	2,304,767	1,927,797
	Revaluation gain	1,044,849	376,970
		<hr/>	<hr/>
	At 30 December 2012	3,349,616	2,304,767
		<hr/>	<hr/>
<b>16</b>	<b>RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS</b>		
		Period from	Period from
		02 January 2012	27 December 2010
		to 30 December 2012	to 01 January 2012
		£	£
	Loss for the financial period	(7,212,898)	(12,580,761)
	Other recognised gains for the period	1,044,849	376,970
		<hr/>	<hr/>
	Net movement in shareholders' funds	(6,168,049)	(12,203,791)
	Opening shareholders' deficit	(70,167,971)	(57,964,180)
		<hr/>	<hr/>
	Closing shareholders' deficit	(76,336,020)	(70,167,971)
		<hr/>	<hr/>
<b>17</b>	<b>RECONCILIATION OF OPERATING PROFIT / (LOSS) TO NET CASH FLOW FROM OPERATING ACTIVITIES</b>		
		Period from	Period from
		02 January 2012	27 December 2010
		to 30 December 2012	to 01 January 2012
		£	£
	Operating profit / (loss)	291,202	(3,984,799)
	Depreciation	5,399,114	6,067,391
	(Increase) / decrease in stock	(7,963)	64,745
	(Increase) / decrease in debtors	(4,236,404)	6,101,127
	Increase / (decrease) in creditors	3,239,386	(6,586,852)
		<hr/>	<hr/>
	Net cash flow from operating activities	4,685,335	1,661,612
		<hr/>	<hr/>

**CURZON HOTELS (OPERATOR) LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**For the period ended 30 December 2012**

**18 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	Period from 02 January 2012 to 30 December 2012 £	Period from 27 December 2010 to 01 January 2012 £
Increase / (decrease) in cash in the period	1,425,958	(2,775,873)
Other interest capitalised	(3,420,032)	(2,974,255)
Debt repaid	3,301,204	-
Other non-cash movement	-	(131,568)
Movement in net debt	1,307,130	(5,881,696)
Opening net debt	(86,696,681)	(80,814,985)
Closing net debt	(85,389,551)	(86,696,681)

**19 ANALYSIS OF MOVEMENT IN NET DEBT**

	01 January 2012 £	Cash flows £	Non-cash movements £	30 December 2012 £
Debt due within one year	(37,753,649)	3,292,417	-	(34,461,232)
Debt due after more than one year	(62,324,810)	8,787	(3,420,032)	(65,736,055)
Finance costs	-	-	-	-
Gross debt	(100,078,459)	3,301,204	(3,420,032)	(100,197,287)
Cash at bank and in hand	13,381,778	1,425,958	-	14,807,736
Net debt	(86,696,681)	4,727,162	(3,420,032)	(85,389,551)

**20 FINANCIAL COMMITMENTS**

The company had annual commitments under non-cancellable operating leases as follows

	30 December 2012 Land and buildings £	01 January 2012 Land and buildings £
Operating leases which expire In excess of 5 years	13,116,000	24,344,000

Leases of land and buildings are subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs

**CURZON HOTELS (OPERATOR) LIMITED****NOTES TO THE ACCOUNTS (CONTINUED)****For the period ended 30 December 2012****21 PENSION ARRANGEMENTS**

The company operates a number of defined contribution schemes for which the pension cost charge for the period amounted to £218,622 (2011 £500,602)

**22 RELATED PARTY TRANSACTIONS**

During the period the company had the following related party transactions

Related party	Relationship	Description	30 December 2012 £	01 January 2012 £
Curzon Finance Sarl	Common control	Creditor other loan	(25,947,414)	(22,527,382)
		Creditor accrual	(3,258,487)	(2,878,669)
		Interest payable	3,799,849	3,544,602
		Amount owed by / (to) group undertaking	7,170	-
Curzon Hotel Investments Limited	Intermediate controlling party	Amount owed to group undertaking	(39,788,641)	(39,797,428)
Curzon Hotel Properties (GP)	Fellow subsidiary	Debtor prepayment	-	-
Limited re The Curzon Hotel Properties Limited Partnership		Creditor rent accrual	(13,757,348)	(535,876)
		Trade creditor	-	(8,244,933)
		Amount owed by / (to) group undertaking	3,719,541	(3,195,347)
		Rent in period	13,221,473	24,736,226
CIT (GP) Limited re The CIT Real Estate Limited Partnership	Common control	Trade creditor	(1,610,044)	(1,000,060)
		Creditor accrual	(18,986)	(22,151)
		Property management Fees in period	1,176,099	1,192,636

**23 CONTROLLING PARTIES**

The immediate controlling party is Curzon Hotel Holdings Limited, a company registered in the British Virgin Islands

**24 POST BALANCE SHEET EVENTS**

On 7 February 2013, Irish Bank Resolution Corporation Limited, the provider of the bank loans detailed in Note 12, was placed into special liquidation. The consequences of this are discussed further in Notes 1 and 12.

There were no other post balance sheet events to report.