

**Lagonda Palace Propco Limited**

**Report and Financial Statements**

**31 December 2013**

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# **Lagonda Palace Propco Limited**

## **Report and financial statements 2013**

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# **Lagonda Palace Propco Limited**

## **Report and financial statements 2013**

### **Officers and professional advisers**

#### **Directors**

A Troy  
G S Hunter  
G J Gallagher

#### **Registered office**

The Inspire  
Hornbeam Park  
Harrogate  
North Yorkshire  
HG2 8PA

#### **Bankers**

Barclays Bank plc

#### **Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Leeds

## Lagonda Palace Propco Limited

### Group Chief Executive's report

#### Acquisition of Principal Hayley by Starwood in February 2013

During 2012 the shareholders of Venice Newco 1 Limited and its subsidiaries ("Principal Hayley") were pleased to agree with Lloyds Banking Group, its main debt provider, to seek out a new shareholder who would further invest in and develop Principal Hayley.

On 27 February 2013 funds managed by Starwood Capital Group (referred to throughout the remainder of the Report and Financial Statements as "Starwood"), the U.S. based private investment firm, completed the acquisition of Principal Hayley through a newly incorporated UK company Rome Investco Ltd ("the Sale"). Rome Investco Ltd is a subsidiary of Rome Holdco Ltd which is now the UK parent company for the Principal Hayley (together "the Group").

Starwood is a private, U.S. based investment firm with a core focus on global real estate. As at 31 March 2014, since its inception in 1991 Starwood had raised nearly \$25 billion of equity capital and had \$36 billion of assets under management.

The Sale significantly improved the Group's balance sheet. All of the Group's then outstanding bank loans were either repaid or released and the related swap contracts in place were terminated. For the remainder of the financial year the Group had substantially reduced bank debt of just £200m and its debt servicing expense was reduced to an annual equivalent during 2013 of approximately £10m, down from the £34m incurred during the year ended 31 December 2012.

#### 2013 Review

##### Revenues

2013 saw a continued recovery in the UK hotel and conference centre industry. Against this backdrop Principal Hayley again performed very well and outperformed the marketplace in both London and the Provinces in its revenue key performance indicators as measured by TRI Hospitality Consulting HotStats ("HotStats").

The key Principal Hayley statistics were as follows:

	2013	2012	Growth
Accommodation			
Occupancy %	69.4%	67.0%	
Average Room Rate (£)	£83.42	£79.93	+4.4%
Revenue per Available Room (£)	£57.89	£53.52	+8.2%
Total Revenues (£'000)			
UK Hotels and Conference Centres	154,623	148,077	+4.4%
Chateau Saint-Just, France	6,359	5,791	+9.8%
Total	160,982	153,868	+4.6%

##### *London*

In London the Hotel Russell and the Grand Connaught Rooms increased revenues by 5.4% to £30.7m, through strong growth in both demand and rates achieved. In comparison HotStats reported market growth in Total Revenue per Available Room ("TrevPar") for 2013 of just 0.9% for London.

## **Lagonda Palace Propco Limited**

### **Group Chief Executive's report**

#### **2013 Review (*continued*)**

##### *Provinces*

The UK Provincial hotels and venues have continued to perform well as we focussed on achieving growth in both occupancy and ARR. Our occupancy growth was in line with the results reported by HotStats but we significantly outperformed the market on ARR growth and so overall our RevPAR growth of 7.1% compared favourably with the Provincial market growth in RevPAR of 5.1%.

Total revenue growth of £4.9m (4.2%) to £123.9m in the Provinces outperformed the results for the marketplace as a whole. HotStats reported market growth in TrevPar for the Provinces for 2013 of 3.6%.

##### Profitability

It is pleasing to report that the Group's overall operating margins have again remained stable. The 4.6% increase in the Group's revenues to £161.0m generated EBITDAR of £45.7m, up 3.9% compared with the £44.0m achieved in 2012. The two key cost pressures which restricted the EBITDAR growth percentage below that of revenues were the increased proportion of commissionable sales and higher unit energy costs despite a reduction in consumption.

##### Our People

Throughout what was a potentially unsettling period during 2013 with the acquisition of Principal Hayley by Starwood our staff have once again remained focussed on delivering exceptional customer service and improving the Principal Hayley brand through our strong customer service strategy 'Quality Wins'. I would like to place on record the Board's thanks to all our staff for their hard work both in 2013 and continuing on into 2014.

##### Environmental Review

During the past year we have continued to ensure that environmental management and carbon emission reductions remain a top priority. The following investment and awareness initiatives have been undertaken:

- Continuation of the initiatives reported last year to
  - Replace and upgrade thermostatic radiator valves on bedroom and public area heating systems.
  - Replace and introduce new lagging and pipe work insulation to help reduce heat and energy losses.
  - Replace all lamps throughout the portfolio with low energy LED bulbs.
- Additional PIR sensors and timer switches at six of our properties.
- We are introducing a bio-fuel CHP system at Wotton House as part of a joint venture with a local farm and the local community.
- All properties have been audited under the Green Tourism Board Scheme with the majority receiving Gold or Silver accreditation.
- Continuation of our Green Hotel of the Year Award at our annual awards ceremony.
- Introduction of a green team of the quarter incentive scheme for the properties.

## **Lagonda Palace Propco Limited**

### **Group Chief Executive's report**

#### **2014 Outlook**

##### Revenues

2014 has started very well for Principal Hayley continuing the excellent progress made during 2013. Group revenues in the UK for the four months to 30 April grew by 5.7% compared with 2013. I am pleased to report that our overall revenue growth has outperformed the UK marketplace TrevPAR growth of 5.3% as reported by HotStats.

Our London properties' revenues increased by 9.2% to £9.5m whereas HotStats reported an overall market increase in TrevPar for the same period of 4.7%. For accommodation revenues our RevPAR growth was 10.6% driven by strong occupancy whereas HotStats reported an overall London market increase in RevPAR of just 5.1%.

For our Provincial hotels and venues total revenues increased by 4.8% to £36.0m whereas HotStats reported an overall market growth in TrevPar for the same period of 5.7%. For accommodation revenues our RevPAR growth was 5.8% and benefitted from growth in both occupancy and ARR, a pattern matching the HotStats reported overall Provincial market growth in RevPAR.

##### Development

During the first half of 2014 we have undertaken a substantial £4m development at the Grand Central Hotel in Glasgow. The 4<sup>th</sup> and 5<sup>th</sup> floors of the property, which have not been available to sell since the purchase of the property by Principal Hayley, have been completely refurbished and a further 46 bedrooms are now available increasing the total for the hotel by 25% to 230.

##### Refinancing

On 12 June 2014 the Group's bank borrowings were refinanced by a new three year facility with an option to extend for a further two years. The new facility is at significantly lower interest rates than on the refinanced borrowings reflecting our new lender's confidence in Principal Hayley. The outstanding amount of £200m was increased to £218m and a further facility of £82m was put in place to fund substantial development projects to further enhance a number of the Group's properties.

## **Lagonda Palace Propco Limited**

### **Group Chief Executive's report**

#### **About Principal Hayley**

Principal Hayley is a leading upscale Conference, Training and Events led group with 22 business and conference-led hotels and venues offering unique spaces and the latest state-of-the-art meeting and conferencing facilities. Located across the UK and Europe, Principal Hayley currently comprises almost 4,000 bedrooms, over 500 meeting rooms and ability to host over 26,000 delegates per day at the following City Centre and Country locations:

#### City Centre

Grand Connaught Rooms, Central London  
Hotel Russell, Central London  
St David's Hotel & Spa, Cardiff  
The George Hotel, Edinburgh  
The Grand Central Hotel, Glasgow  
The Met, Leeds  
The Palace Hotel, Manchester  
The Royal York Hotel & Events Centre, York

#### Country

Alexandra House, Swindon  
Beaumont House, Windsor  
Chateau Saint Just, Paris  
Crannage Hall, Cheshire  
Eastwood Hall, Nottingham  
Ettington Chase, Stratford-upon-Avon  
Hawkstone Park Hotel & Golf Club, Shrewsbury  
Horwood House, Milton Keynes  
Kenwood Hall, Sheffield  
Sedgebrook Hall, Northampton  
Selsdon Park Hotel & Golf Club, Croydon  
The Derbyshire, Derby  
The St Johns Hotel, Solihull  
Wotton House, Dorking

#### **Conclusion**

The economic outlook in the UK has continued to improve over the past year and our trading performance in 2013 and during 2014 to date reflects this. Starwood has extensive experience in the hospitality sector and a very strong development track record. Further, their acquisitions of the Four Pillars and De Vere Venues groups during the first half of 2014 have significantly increased their presence in the UK marketplace and we will benefit from being part of this larger organisation. Therefore, whilst there is still some uncertainty in the economic outlook for the UK and European hotel and conference centre markets, the Group can look forward to the future with optimism.

Tony Troy  
Group Chief Executive Officer  
4 July 2014

## **Lagonda Palace Propco Limited**

### **Strategic report**

#### **Principal Activities of the Company**

The principal activity of the Company is property investment.

#### **Group Business Review**

A review of the Principal Hayley Group's results and future prospects, which include those of the Company, is set out in the Group Chief Executive's Report.

#### **Company Business Review**

There were no new property investments made during the year. The directors are optimistic regarding the prospects for the Company.

The main performance indicators are the financial strength of the tenant and the overall property market. The business is monitored against forecast and predictions on a quarterly basis.

#### **Financial risk management objectives and policies**

Financial risk management objectives and policies are managed on a unified basis for the Group.

The Company's activities expose it to a number of financial risks. The use of financial derivatives to manage risks is subject to Board approval and no financial derivatives are used for speculative purposes.

##### *Cash flow risk*

The Company's activities do not expose it to the financial risks of changes in foreign currency exchange rates.

##### *Credit risk*

The Company's principal financial assets are receivables from other members of Principal Hayley. The Company has no other significant concentration of credit risk.

##### *Liquidity Risk*

Following the acquisition of Principal Hayley by Starwood in February 2013, the Group used a mixture of long term shareholder debt and bank debt in order to maintain liquidity to ensure that sufficient funds were available for ongoing operations and future development. At 31 December 2013 the Group's bank debt was due for repayment during August 2014. However, on 12 June 2014 the Group's bank debt was refinanced and is now, subject to compliance with normal banking covenants, not due for repayment or renewal until June 2017.

##### *Price Risk*

The Company is not exposed to commodity price risk.



## Lagonda Palace Propco Limited

### Strategic report

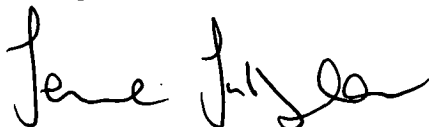
#### Going Concern basis of accounts preparation

The Company is a member of the Principal Hayley group of companies headed by its UK parent company Rome Holdco Ltd ("the Group"). Throughout the year ended 31 December 2013 the Company received all necessary financial support from other Group companies to operate as a going concern.

The directors have considered the future trading prospects of the Group including its detailed trading and cash flow projections which include growth in its established businesses. The projections show that for a period of not less than 12 months from the date of approval of these accounts the Group has sufficient operational facilities in place. Further, Rome Holdco Ltd has confirmed that it will continue to provide financial support to the Company for a period of not less than 12 months from the date of approval of these accounts.

Accordingly, the directors continue to be satisfied that adopting the going concern basis in preparing the annual report and accounts for the Company, as a member of the Group, is appropriate.

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

A handwritten signature in black ink, appearing to read 'G J Gallagher', written over a horizontal line.

G J Gallagher  
Director  
4 July 2014

## **Lagonda Palace Propco Limited**

### **Directors' report**

The directors present their annual report and the audited financial statements for year ended 31 December 2013.

#### **Going Concern and Financial risk management objectives and policies**

The directors set out in the Strategic Report

- the reasoning for the adoption of the going concern basis in preparing the annual report and accounts for the Company; and
- the financial risk management objectives and policies of the Company.

#### **Dividends**

No dividends were paid during the financial year (2012: £nil). The directors do not propose to pay a final dividend (2012: £nil).

#### **Political contributions**

There were no donations made to political parties (2012: £nil).

#### **Directors**

The directors who held office during the year and subsequent to the balance sheet date were:

A Troy  
M E Bennison (resigned 31 January 2014)  
G S Hunter  
G J Gallagher (appointed 31 January 2014)

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

#### **Disclosure of relevant information to auditor**

Each of the persons who is a director 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 auditor is 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 auditor is aware of that information.

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

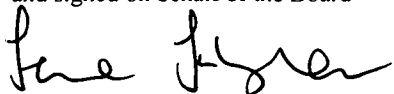
## **Lagonda Palace Propco Limited**

### **Directors' report**

#### **Auditor**

A resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

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

A handwritten signature in black ink, appearing to read 'G J Gallagher', written over a horizontal line.

G J Gallagher  
Director  
4 July 2014

## **Lagonda Palace Propco 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditor's report to the members of Lagonda Palace Propco Limited**

We have audited the financial statements of Lagonda Palace Propco Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. 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 auditor**

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

**Independent auditor's report to the members of Lagonda Palace Propco Limited**  
**(continued)**

**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.



David M Johnson BA FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Leeds, United Kingdom

4 July 2014

## **Lagonda Palace Propco Limited**

### **Profit and loss account**

**Year ended 31 December 2013**

	<b>Note</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
<b>Turnover</b>	<b>1</b>	<b>2,842</b>	<b>2,759</b>
Administrative expenses		<b>(456)</b>	<b>(1,756)</b>
<b>Profit / (loss) on ordinary activities before taxation</b>	<b>2</b>	<b>2,386</b>	<b>1,003</b>
Tax on profit / (loss) on ordinary activities	<b>4</b>	<b>-</b>	<b>-</b>
<b>Retained profit / (loss) for the financial year</b>	<b>9</b>	<b>2,386</b>	<b>1,003</b>

There are no recognised gains or losses other than the results shown in the profit and loss account above. Accordingly, no statement of total recognised gains and losses is given.

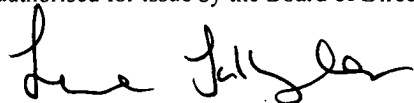
All amounts relate to continuing activities.

## Lagonda Palace Propco Limited

### Balance sheet 31 December 2013

	Note	2013 £'000	2012 £'000
<b>Fixed assets</b>			
Tangible assets	5	17,746	17,849
<b>Current assets</b>			
Debtors	6	5,248	3,518
		5,248	3,518
<b>Creditors: amounts falling due within one year</b>	7	(19,355)	(20,114)
<b>Net current assets / (liabilities)</b>		(14,107)	(16,596)
<b>Net assets / (liabilities)</b>		3,639	1,253
<b>Capital and reserves</b>			
Called up share capital	8	13,900	13,900
Profit and loss account	9	(10,261)	(12,647)
<b>Equity shareholders' funds / (deficit)</b>	10	3,639	1,253

The financial statements of Lagonda Palace Propco Limited, company number 4216858, have been approved and authorised for issue by the Board of Directors.



Signed on behalf of the Board of Directors

G J Gallagher, Director

4 July 2014



## **Lagonda Palace Propco Limited**

### **Notes to the accounts**

**Year ended 31 December 2013**

#### **1. ACCOUNTING POLICIES**

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

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

The accounts have been prepared under the historical cost convention, and in accordance with applicable United Kingdom accounting standards and law.

##### **Going Concern**

The accounts have been prepared on a going concern basis. Further details regarding the adoption of the going concern basis can be found in the Strategic Report.

##### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset on a straight line basis over its expected useful life as follows:

Freehold land	Not depreciated
Freehold buildings	50 years
Long Leasehold land and buildings	Over the life of the lease

##### **Taxation**

Corporation tax payable is provided on taxable profits at the current rate.

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 profit and its results 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. Deferred tax is measured on a non-discounted basis.

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.

##### **Turnover**

All turnover arises in the United Kingdom and comprises rental income. Rental income is recognised on a straight line basis over the lease term even if the payments are not made on that basis, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

##### **Leases**

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

##### **Cash flow statement**

Under the provisions of FRS 1 (revised): Cash Flow Statements, the Company has not prepared a cash flow statement because its UK parent company Rome Holdco Ltd prepares consolidated accounts which include the cash flows of the Company.

## **Lagonda Palace Propco Limited**

### **Notes to the accounts**

**Year ended 31 December 2013**

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

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Profit /(loss) on ordinary activities before taxation is stated after charging / (crediting):		
Depreciation	<b>103</b>	110
Impairment of tangible fixed assets	-	1,293
Operating lease rentals – land and buildings	<b>353</b>	353
Auditor's remuneration - audit services	-	-
	<u>          </u>	<u>          </u>

Auditor's remuneration of £1,000 (2012: £1,000) is borne by a fellow Group company.

#### **3. STAFF COSTS**

The directors are the only employees of the company. The directors received no remuneration in respect of services to the Company during the year (2012 - £nil). The directors are remunerated by Principal Hayley Limited, a fellow Group company, and it is not practicable to allocate a proportion of those costs to the Company.

# Lagonda Palace Propco Limited

## Notes to the accounts

Year ended 31 December 2013

### 4. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES

	2013 £'000	2012 £'000
The tax charge for the year comprises:		
<b>Current tax</b>		
UK corporation tax on the profit / (loss) for the year	-	-
Total current tax charge	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	-
Total deferred tax charge	-	-
<b>Total tax charge</b>	-	-

At 31 December 2013 there is an unprovided deferred tax asset in relation to tax losses of £163,000 (2012: £275,000). This has not been recognised due to the uncertainty around the recoverability of the asset.

The Government announced in March 2013 reductions in the rate of corporation tax to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015. As this legislation was substantively enacted by 31 December 2013, the impact of the rate change is reflected in deferred tax balances reported in these accounts.

The difference between the total current tax shown and the amount calculated by applying the standard rate of UK corporation tax to the result before tax is as follows:

	2013 £'000	2012 £'000
Profit / (loss) on ordinary activities before taxation	2,386	1,003
Tax at standard UK rate of 23.25% (2012: 24.5%)	555	246
Effects of:		
Expenses not deductible for tax purposes	23	343
Other amounts deductible for tax purposes	(190)	(247)
Group relief surrendered for nil consideration	(300)	-
Utilisation of tax losses and tax losses carried forward	(88)	(342)
Current tax charge for the year	-	-

# Lagonda Palace Propco Limited

## Notes to the accounts

Year ended 31 December 2013

### 5. TANGIBLE FIXED ASSETS

	Long Leasehold land and buildings £'000
<b>Cost</b>	
At the beginning of the year	19,252
Additions	-
At the end of the year	<u>19,252</u>
<b>Accumulated depreciation</b>	
At the beginning of the year	1,403
Charge for the year	103
At the end of the year	<u>1,506</u>
<b>Net book value</b>	
At the end of the year	<u>17,746</u>
At the beginning of the year	<u>17,849</u>

The Company's property is leased to a fellow Group company under an operating lease. The Company's fixed assets are charged in favour of the Group's bankers as security for the Group's UK borrowings.

### 6. DEBTORS

	2013 £'000	2012 £'000
Amounts owed by group undertakings	5,145	3,415
Prepayments and accrued income	103	103
Total debtors	<u>5,248</u>	<u>3,518</u>

Amounts owed by group undertakings have no set repayment date and are interest free.

# Lagonda Palace Propco Limited

## Notes to the accounts

Year ended 31 December 2013

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

	2013 £'000	2012 £'000
Taxation and social security	129	124
Amounts due to group undertakings	19,226	19,990
Total creditors falling due within one year	19,355	20,114

Amounts due to group undertakings have no set payment date and are interest free.

### 8. CALLED UP SHARE CAPITAL

	2013 £'000	2012 £'000
Allotted, called up and fully paid: 13,900,001 ordinary shares of £1 each	13,900	13,900
Total share capital	13,900	13,900

### 9. RESERVES

	Profit and loss account £'000
At the beginning of the year	(12,647)
Retained profit / (loss) for the year	2,386
At the end of the year	(10,261)

### 10. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2013 £'000	2012 £'000
Profit / (loss) for the financial year	2,386	1,003
Net increase / (reduction) to equity shareholders' funds	2,386	1,003
Opening equity shareholders' funds / (deficit)	1,253	250
Closing equity shareholders' funds / (deficit)	3,639	1,253

## Lagonda Palace Propco Limited

### Notes to the accounts

Year ended 31 December 2013

#### 11. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS 8: "Related Party Disclosures" not to disclose transactions with other Group companies.

#### 12. FINANCIAL COMMITMENTS

At the balance sheet date the Company had the following annual commitments in respect of land and buildings under non cancellable operating leases:

	<b>2013</b> <b>Land and</b> <b>buildings</b> <b>£'000</b>	<b>2013</b> <b>Other</b> <b>£'000</b>	<b>2012</b> <b>Land and</b> <b>buildings</b> <b>£'000</b>	<b>2012</b> <b>Other</b> <b>£'000</b>
Leases which expire:				
After five years	<b>353</b>	-	353	-
Total annual commitment	<b>353</b>	-	353	-

#### 13. CONTINGENT LIABILITIES

The Company, together with other Group companies, has given guarantees to a maximum of £200.0 million over the UK borrowings of Rome Investco Ltd a fellow Group company. At 31 December 2013 the borrowings outstanding covered by this guarantee totalled £200.0 million.

#### 14. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

Throughout the year ended 31 December 2012 and until 27 February 2013 the Company's ultimate parent company and controlling party was Venice Luxco Sarl, a company incorporated in Luxembourg. Venice Luxco Sarl did not prepare consolidated accounts. On 27 February 2013 the Company's ultimate parent company and controlling party became SOF-9 Rome Holdings Lux Sarl as part of the acquisition of Principal Hayley by Starwood as described in the Group Chief Executive's Report. SOF-9 Rome Holdings Lux Sarl is incorporated in Luxembourg and does not prepare consolidated accounts.

The Company's immediate parent company is Principal Hayley Group Limited, a company registered in England and Wales. For the year ended 31 December 2013 the largest and smallest groups in which the Company is consolidated are those headed by Rome Holdco Ltd and Rome Investco Ltd respectively, both of which are registered in England and Wales. Copies of the financial statements of Principal Hayley Group Limited and the consolidated financial statements of Rome Holdco Ltd and Rome Investco Ltd can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.