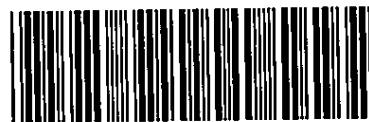


# The Park Lane Hotel Limited

## Report and Financial Statements

31 December 2013

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COMPANIES HOUSE

# The Park Lane Hotel Limited

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Registered No 158092

## **Directors**

B E Cameron	(Resigned 29 April 2013)
M T Dojlidko	(Appointed 29 April 2013)
M P Wale	(Resigned 16 August 2013)
P Dival	
C Bennett	(Appointed 16 August 2013)

## **Secretary**

S Haegeman

## **Auditors**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

## **Registered Office**

Park Lane Hotel  
Piccadilly  
London W1J 7BX

## Strategic report

The directors present their strategic report and financial statements for the year ended 31 December 2013

### Principal activities and review of the business

The principal activity of the company continues to be the ownership and operation of the Park Lane Hotel located in London, England

The company's key financial and other performance indicators during the year were as follows

	2013	2012
	£000	£000
Turnover	23,127	23,383
Profit before taxation	5,195	5,392
Profit after tax	3,898	4,092
Customer satisfaction (score out of 10)	6.60	6.51
Average number of employees	250	256

Turnover decreased in 2013 due to continued challenging trading in accommodation revenues as hotels in the competitive set have recently been through extensive renovation, which is now being planned for Park Lane Hotel. As a consequence the average daily rate dropped by 3.7% from 2012 to 2013.

Despite an overall drop in revenues occupancy increased by 1.3% year on year due to the month of June and July which has been noted to be higher than 2012, due to the fact that the pre-Olympic period in 2012 was exceptionally lower than usual, whereas the occupancy level in 2013 is higher than average, which is in line with our expectation.

Cost saving initiatives continued in 2013, to maintain the cost of sales and administrative expenses at the same level despite the increase in occupancy.

The directors consider customer satisfaction is a key performance indicator in the hospitality industry and all questionnaires were completed through an independent third party.

The efforts to improve customer satisfaction have delivered results in 2013, enabling an increase from 6.51 to 6.60.

The reduction in the average number of employees is a result of the slow replacement of positions during 2013.

### Principal risks and uncertainties

The company continues to look at risks and uncertainties during its budgeting process and monthly strategic meetings. The company's principal risks arise from the following:

#### *Competitive risks*

The company operates at the upper end of a highly competitive London hotel market. Risks are from either new competitor openings or existing competitors investing in product refurbishments.

#### *Economic risks*

The company is reliant on healthy economies in all its major customer markets, being the UK, USA and Europe. It is highly aware of the current economic uncertainty and has a robust forecasting process in place to enable the company to identify market trends as early as possible.

#### *Exchange rate risks*

A significant element of the company's revenues is dependent on non UK based businesses and therefore the exchange rates of major currencies (specifically USD and Euros) are a risk to the company.

## Strategic report

### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes for the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees. The company is an equal opportunities employer.

The company recognises the high standards required to ensure the health, safety and welfare of its employees at work, its customers and the general public. Company policies in this regard are regularly reviewed with the objective of ensuring that these standards are achieved.

### Employee involvement

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various matters affecting the performance of the company. This is achieved through formal and informal meetings.

Signed on behalf of the Board of The Park Lane Hotel Limited



Stefaan Haegeman

Secretary

25 April 2014

## Directors' report

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

### Results and dividends

The profit for the year amounted to £3,898,000 (2012 £4,092,000) Dividends of £4,000,000 (2012 £4,900,000) were paid during the year

### Post-balance sheet events

Sheraton Hotels (UK) plc, the immediate parent of The Park Lane Hotel Limited, reached an agreement on 25 February 2014 to sell the investment in The Park Lane Hotel Limited to Sir Richard Sutton's Settled Estates, with expected completion date on 30 April 2014

Sir Richard Sutton's Settled Estates intention is to transfer all the assets and liabilities of The Park Lane Hotel Limited to another company, Genesta Park Lane LLP, and liquidate The Park Lane Hotel Limited in the next 12 months after the date of approval of the financial statements

### Future developments

It is anticipated that The Park Lane Hotel Limited will be sold on 30 April 2014 with the intention that it will be liquidated within 12 months after the date of approval of the financial statements This is explained in more detail below

### Going concern

Based on the intention of Sir Richard Sutton's Settled Estates to transfer all assets and liabilities of The Park Lane Hotel Limited to Genesta Park Lane LLP and to liquidate The Park Lane Hotel Limited after its acquisition, the directors have a reasonable expectation that the company cannot continue in operational existence for the foreseeable future Accordingly the directors adopted the break-up basis in preparing the annual report and financial statements reflecting the intention of the acquirer to liquidate the Company as soon as possible (within 12 months from the date of approval of the financial statements) The directors have reviewed the carrying values of assets and liabilities and made adjustments where necessary They also reviewed whether there are any further liabilities which will arise and reclassified fixed assets and long-term liabilities as current assets and current liabilities where appropriate to reflect the basis of preparation

The preparation of the financial statements under the break-up basis does not impact the valuation of the pension scheme as at 31 December 2013 In addition, the Company's pension liabilities will be moved to the Sheraton Hotels (UK) plc which would value the pension scheme the same way In addition, at the balance sheet date there was no indication of any change to the Company structure and there were no active members in the Company's pension schemes

### Directors

The directors who served the company during the year are as shown on page 1

### Disclosure of information to the auditors

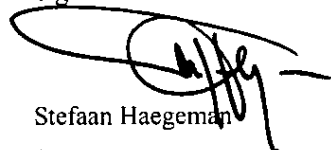
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's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

## Directors' report

### Auditors

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

Signed on behalf of the Board of The Park Lane Hotel Limited

A handwritten signature in black ink, appearing to read 'Stefaan Haegeman', is written over a large, light-colored oval scribble.

Stefaan Haegeman

Secretary

25 April 2014

## Statement of directors' responsibilities

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 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 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,
- 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 The Park Lane Hotel Limited**

We have audited the financial statements of The Park Lane Hotel Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 19. 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). The financial statements have been prepared on a break-up basis, as set out in note 1.

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 set out on page 6, 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 financial statements 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 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 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 The Park Lane Hotel Limited

### 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

*EY*

Gordon Cullen (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date 29 APRIL 2014

## Profit and loss account

for the year ended 31 December 2013

	<i>Notes</i>	<i>2013</i> £000	<i>2012</i> £000
<b>Turnover</b>	2	23,127	23,383
Cost of sales		(7,836)	(7,865)
<b>Gross profit</b>		<u>15,291</u>	<u>15,518</u>
Administrative expenses		(10,137)	(10,143)
<b>Operating profit</b>	3	5,154	5,375
Interest receivable	6	2	1
Other finance income	7	39	16
<b>Profit on ordinary activities before taxation</b>		<u>5,195</u>	<u>5,392</u>
Tax charge on profit on ordinary activities	8	(1,297)	(1,300)
<b>Profit for the financial year</b>		<u><u>3,898</u></u>	<u><u>4,092</u></u>

All amounts relate to discontinued operations, given the directors' expectation that the company cannot continue in operational existence for the foreseeable future

## Statement of total recognised gains and losses

for the year ended 31 December 2013

	<i>2013</i> £000	<i>2012</i> £000
Profit for the financial year	3,898	4,092
Actuarial loss recognised on the pension scheme	(119)	(21)
Deferred tax relating to actuarial loss on the pension scheme	27	5
<b>Total recognised gains and losses for the year</b>	<u><u>3,806</u></u>	<u><u>4,076</u></u>

## Balance sheet

at 31 December 2013

	<i>Notes</i>	<i>2013</i> £000	<i>2012</i> £000
<b>Fixed assets</b>			
Tangible assets	9	-	6,741
		-----	-----
		-	6,741
<b>Current assets</b>			
Tangible assets	9	7,623	-
Stocks	10	354	340
Debtors	11	12,814	11,835
Cash at bank		1,440	1,754
		-----	-----
		22,231	13,929
<b>Creditors: amounts falling due within one year</b>	12	6,156	4,275
<b>Provisions for liabilities and charges</b>	8	44	-
<b>Net pension liability</b>	13	221	-
		-----	-----
<b>Net current assets</b>		15,810	9,654
		-----	-----
<b>Total assets less current liabilities</b>		15,810	16,395
		-----	-----
<b>Provisions for liabilities and charges</b>	8	-	51
		-----	-----
<b>Net pension liability</b>	13	-	322
		-----	-----
		15,810	16,022
		-----	-----
<b>Capital and reserves</b>			
Called up share capital	15	1,320	1,320
Profit and loss account	16	14,490	14,702
		-----	-----
<b>Equity shareholders' funds</b>		15,810	16,022
		-----	-----

Approved by the Board and signed on its behalf by



P Divali  
Director  
25 April 2014

## Notes to the financial statements

at 31 December 2013

### 1. Accounting policies

#### *Basis of preparation*

The financial statements have been prepared on a break-up basis in accordance with applicable United Kingdom Accounting Standards and Companies Act 2006 reflecting the intention of the acquirer to liquidate the Company as soon as possible (within 12 months from the date of approval of the financial statements) The directors have reviewed the carrying values of assets and liabilities and made adjustments where necessary They also reviewed whether there are any further liabilities which will arise and reclassified fixed assets and long-term liabilities as current assets and current liabilities where appropriate to reflect the basis of preparation

The preparation of the financial statements under the break-up basis does not impact the valuation of the pension scheme as at 31 December 2013 In addition, the Company's pension liabilities will be moved to the Sheraton Hotels (UK) plc which would value the pension scheme the same way In addition, at the balance sheet date there was no indication of any change to the Company structure and there were no active members in the Company's pension schemes

The accounting policies adopted by the company are set out below and are consistent with those of the previous year

#### *Statement of cash flows*

The company has taken advantage of the exemption available under FRS 1 'Cash Flow Statements' from the requirement to prepare a cash flow statement, as it is a wholly owned subsidiary of Starwood Hotels & Resorts Worldwide Inc, the consolidated financial statements of which will incorporate a consolidated cash flow statement, including those of the company

#### *Related party transactions*

As a subsidiary undertaking of Starwood Hotels & Resorts Worldwide Inc, the company has taken advantage of the exemption in FRS 8 'Related party disclosures' not to disclose transactions with other wholly owned members of the group headed by Starwood Hotels & Resorts Worldwide Inc

#### *Fixed assets*

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment

#### *Depreciation*

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

Short leasehold land and buildings	–	unexpired term of the lease
Fixtures, fittings and equipment	–	3 to 15 years

Refurbishment of the leasehold property is treated as an addition to short leasehold land and buildings

#### *Investments*

Fixed assets investments are shown at cost less provision for impairment

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value Provision is made for obsolete, slow-moving or defective items where appropriate

## Notes to the financial statements

at 31 December 2013

### 1. Accounting policies (continued)

#### *Deferred taxation*

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

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

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

#### *Foreign currency*

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

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

All differences are taken to the profit and loss account

#### *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

#### *Pension schemes*

For defined benefit schemes the amounts charged to operating profit are the current service costs and any gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are charged to operating profit immediately if the benefits have vested. If the benefits have not vested immediately, the costs are recognised by equal annual instalments until vesting occurs. The interest cost and the expected return on assets are included as other finance costs. Actuarial gains and losses net of deferred tax are recognised immediately in the statement of total recognised gains and losses

Defined benefit schemes are either externally funded, with the assets of the scheme held separately from those of the group in separate trustee administered funds, or are unfunded. Pension scheme assets are measured at fair value, and liabilities are measured on an actuarial basis and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Full actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet

Contributions are also made to the SHUK Pension Plan, and though the scheme is a multi-employer defined benefit scheme, it is accounted for in the financial statements of The Park Lane Hotel Limited as a defined contribution scheme, as a fixed contribution is made to the scheme and any surpluses or deficits are accounted for by Sheraton Hotels (UK) plc

## Notes to the financial statements

at 31 December 2013

### 1. Accounting policies (continued)

#### ***Share-based payments***

##### *Equity settled transactions*

The cost of equity settled transactions – restricted stock – with employees is measured by reference to the fair value at the date at which they are granted and is recognised an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using market values. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement with a corresponding entity in equity.

##### *Cash settled transactions*

The cost of cash settled transactions – stock options – with employees is measured by reference to the fair value at the date at which they are granted and is recognised an expense over the vesting period, which ends on the date on which the stock options becomes fully vested. Fair value is determined by using market values. Changes in the carryings amount for the liability are recognised in the profit and loss account for the period.

## Notes to the financial statements

at 31 December 2013

### 2. Turnover

Turnover comprises amounts derived from the provision of goods and services falling within the company's ordinary activities after deduction of value added tax, other sales related taxes and trade discounts. Turnover arises solely from the company's principal activity within the United Kingdom.

### 3. Operating profit

This is stated after charging /(crediting)

	2013	2012
	£000	£000
Auditor's remuneration – audit services	61	62
Depreciation of owned fixed assets	1,110	1,201
Operating lease rentals – land and buildings	13	13
– plant and machinery	47	58
Rental income	(85)	(79)
	<u>          </u>	<u>          </u>

### 4. Directors' emoluments

The directors of the company are also directors of the holding company and fellow subsidiaries. The directors received remuneration apportioned to The Park Lane Hotel Limited for the year of £70,000 (2012 £106,000), paid by The Park Lane Hotel Limited and fellow group companies.

### 5 Staff costs

	2013	2012
	£000	£000
Wages and salaries	5,240	5,127
Social security costs	502	521
Other pension costs	285	289
Share-based payments	224	322
	<u>          </u>	<u>          </u>
	6,251	6,259
	<u>          </u>	<u>          </u>

The monthly average number of employees during the year was 250 (2012 256)

### 6. Interest receivable

	2013	2012
	£000	£000
Interest receivable	2	1
	<u>          </u>	<u>          </u>

### 7. Other finance income

	2013	2012
	£000	£000
Expected return on pension scheme assets	186	159
Interest on pension scheme liabilities	(147)	(143)
	<u>          </u>	<u>          </u>
	39	16
	<u>          </u>	<u>          </u>

## Notes to the financial statements

at 31 December 2013

### 8. Tax

(a) Tax charge on profit on ordinary activities

The tax charge is made up as follows

	2013 £000	2012 £000
<i>Current tax</i>		
UK corporation tax	1,144	1,239
Group relief payable	126	173
Tax (over)/under provided in previous years	25	(80)
Total current tax (note 8(b))	<u>1,295</u>	<u>1,332</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	27	(17)
Effect of changes in tax rate	(25)	(15)
Tax over provided in previous years	-	-
Total deferred tax (note 8(d))	<u>2</u>	<u>(32)</u>
Tax charge on profit on ordinary activities	<u>1,297</u>	<u>1,300</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are reconciled below

	2013 £000	2012 £000
Profit on ordinary activities before taxation	5,195	5,392
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	1,208	1,321
Expenses not deductible for tax purposes	(77)	(47)
Other permanent differences	134	92
Accelerated capital allowances	(8)	46
Tax (over)/under provided in previous years	25	(80)
Other timing differences	13	-
Total current tax (note 8(a))	<u>1,295</u>	<u>1,332</u>

(c) Factors that may affect future tax charges

The UK corporation tax rate reduced from 24% to 23% from April 2013. The rate will reduce to 21% from April 2014 and further to 20% from April 2015. As at the balance sheet date, both these future tax reductions had been enacted and hence in accordance with accounting standards, they have been reflected in the company's financial statements as at 31 December 2013. The rate changes will impact the amount of future tax payments to be made by the company.



## Notes to the financial statements

at 31 December 2013

### 8. Tax (continued)

#### (d) Deferred tax

The deferred tax included in the balance sheet is as follows

	2013 £000	2012 £000
Accelerated capital allowances	119	143
Deferred tax asset arising on premium deficit (note 13)	(75)	(92)
Net deferred tax liability	<u>44</u>	<u>51</u>
	2013 £000	2012 £000
At 1 January	51	72
Profit and loss account movement arising during the year	2	(26)
<i>STRGL movement arising during the year</i>		
Deferred tax relating to actuarial loss on the pension scheme	(27)	(5)
Effect of changes in tax rate	18	10
At 31 December	<u>44</u>	<u>51</u>

### 9. Tangible fixed assets

	<i>Freehold land £000</i>	<i>Short leasehold £000</i>	<i>Fixtures, fittings and equipment £000</i>	<i>Total £000</i>
Cost				
At 31 December 2012	34	20,422	22,040	42,496
Additions	-	47	2,001	2,048
Disposals	-	(153)	(97)	(250)
At 31 December 2013	<u>34</u>	<u>20,316</u>	<u>23,944</u>	<u>44,294</u>
Depreciation				
At 31 December 2012	-	15,713	20,042	35,755
Provided during the year	-	612	498	1,110
Disposals	-	(110)	(84)	(194)
At 31 December 2013	<u>-</u>	<u>16,215</u>	<u>20,456</u>	<u>36,671</u>
Net book value				
At 31 December 2012	<u>34</u>	<u>4,709</u>	<u>1,998</u>	<u>6,741</u>
At 31 December 2013	<u>34</u>	<u>4,101</u>	<u>3,488</u>	<u>7,623</u>

## Notes to the financial statements

at 31 December 2013

### 10. Stocks

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Finished goods and consumables	354	340

The directors consider that there is no significant difference between the balance sheet value and the replacement cost of stocks at the balance sheet date

### 11. Debtors

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	1,573	1,373
Amounts owed by other group undertakings	10,782	9,997
Prepayments and accrued income	459	451
Other debtors	-	14
	<u>12,814</u>	<u>11,835</u>

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

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Trade creditors	1,068	710
Amounts owed to group undertakings	1,711	43
Corporation tax payable	417	742
Other taxation and social security costs	909	983
Accruals and deferred income	2,051	1,797
	<u>6,156</u>	<u>4,275</u>

## Notes to the financial statements

at 31 December 2013

### 13. Net pension liability

The company operates The Park Lane Hotel (1977) Retirement Fund. The scheme was closed to new members in December 1996 and to future accrual on 31 March 2006. The scheme's assets consist of a Unitised With Profit policy in addition to annuity policies held in the name of the trustees. The scheme is a funded defined benefits scheme based on final pensionable pay and the related costs and assets are assessed in accordance with the advice of professionally qualified actuaries.

Contributions of £181,000 were paid in respect of members of the scheme during the year.

The valuation used for FRS17 purposes has been based on the most recent actuarial valuation as at 1 December 2010 and updated by a qualified actuary to take account of the requirements of FRS17 in order to assess the liabilities of the scheme at 31 December 2013. Scheme assets are stated at their market value at the respective balance sheet dates.

	2013 £000	2012 £000
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	3,114	2,874
Interest cost	147	143
Actuarial losses	206	125
Benefits paid	(27)	(28)
Benefit obligation at end of year	<u>3,440</u>	<u>3,114</u>
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	2,792	2,377
Expected return on plan assets	186	159
Actuarial (losses)/gains	87	104
Company contribution	181	180
Benefits paid	(27)	(28)
Fair value of plan assets at end of year	<u>3,219</u>	<u>2,792</u>
Fair value of scheme assets	3,219	2,792
Present value of scheme liabilities	(3,440)	(3,114)
Pension liability before deferred tax	(221)	(322)
Related deferred tax asset	75	92
Net pension liability	<u>(146)</u>	<u>(230)</u>

## Notes to the financial statements

at 31 December 2013

### 13. Net pension liability (continued)

An analysis of the defined benefit cost for the year ended 31 December is as follows

	2013 £000	2012 £000
<b>Components of pension cost</b>		
Interest cost	147	143
Expected return on plan assets	(186)	(159)
Total pension (income)/cost recognised in the profit and loss account	<u>(39)</u>	<u>(16)</u>
Difference between expected and actual return on scheme assets	87	104
Experience gains and losses arising on scheme liabilities	-	(34)
Effect of changes in the demographic and financial assumptions underlying the present value of scheme liabilities	(206)	(91)
Total loss recognised in the statement of total recognised gains and losses	<u>(119)</u>	<u>(21)</u>
Cumulative amount of actuarial (gains) and losses immediately recognised	<u>491</u>	<u>372</u>

#### Plan assets

The weighted average asset allocation at the year end was as follows

	2013 £000	2012 £000
Unitised With Profits	3,219	2,792
At 31 December	<u>3,219</u>	<u>2,792</u>

None of the fair values of the assets shown include any of the company's own financial instruments or any property occupied by, or any other assets used by, the company

## Notes to the financial statements

at 31 December 2013

### 13. Net pension liability (continued)

#### Assumptions

	2013	2012
	%	%
Inflation	3.50	3.25
Discount rate	4.50	4.75
Rate of increase in pensions in payment	3.50	3.25
Expected long term return on plan assets	6.50	6.50

#### Weighted average life expectancy for mortality tables used to determine benefit obligations

	2013	2012
	Years	Years
Male retiring at age 65 in 2013	21.3	21.2
Female retiring at age 65 in 2013	24.1	24.0
Male retiring at age 65 in 2033	22.8	23.1
Female retiring at age 65 in 2033	25.5	25.9

#### Five year history

	2013	2012	2011	2010	2009
	£000	£000	£000	£000	£000
Fair value of plan assets at end of year	3,219	2,792	2,377	2,142	1,975
Benefits obligation at end of year	(3,440)	(3,114)	(2,874)	(2,482)	(2,388)
Deficit at end of year	(221)	(322)	(497)	(340)	(413)
Experience gains and (losses) on scheme assets					
Amount £000	87	104	(71)	154	(175)
Percentage of scheme assets	3%	4%	(3%)	7%	(9%)
Experience gains and (losses) on scheme liabilities					
Amount £000	-	34	24	24	-
Percentage of scheme liabilities	-	1%	1%	1%	-

#### Contributions

The Company expects to contribute £61,000 to the scheme in January 2014 to April 2014

## Notes to the financial statements

at 31 December 2013

### 14. Commitments under operating leases

The company has commitments under non-cancellable operating leases as set out below

	2013		2012	
	<i>Land and buildings</i> £000	<i>Other</i> £000	<i>Land and buildings</i> £000	<i>Other</i> £000
<i>Obligations for the following year</i>				
Within one year	13	48	13	48
In two to five years	52	58	52	87
In over five years	66	66	79	85
	<u>131</u>	<u>172</u>	<u>144</u>	<u>220</u>

### 15. Called up share capital

	2013	2013	2012	2012
<i>Allotted, called up and fully paid</i>	<i>No</i>	<i>£000</i>	<i>No</i>	<i>£000</i>
Ordinary shares of £0.25 each	5,280,000	1,320	5,280,000	1,320
	<u>5,280,000</u>	<u>1,320</u>	<u>5,280,000</u>	<u>1,320</u>

### 16. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i> £000	<i>Profit and loss account</i> £000	<i>Total shareholders' funds</i> £000
At 31 December 2011	1,320	15,536	16,856
Profit for the year	-	4,092	4,092
Actuarial loss recognised on pensions	-	(21)	(21)
Deferred tax relating to actuarial loss on pensions	-	(5)	(5)
Dividends	-	(4,900)	(4,900)
At 31 December 2012	<u>1,320</u>	<u>14,702</u>	<u>16,022</u>
Profit for the year	-	3,898	3,898
Actuarial loss recognised on pensions	-	(119)	(119)
Deferred tax relating to actuarial loss on pensions	-	9	9
Dividends	-	(4,000)	(4,000)
At 31 December 2013	<u>1,320</u>	<u>14,490</u>	<u>15,810</u>

## Notes to the financial statements

at 31 December 2013

### 17. Share-based payments

Certain employees are granted restricted stock in the equity of the ultimate parent undertaking, Starwood Hotels & Resorts Worldwide Inc. The number of restricted stock received depends upon grade level and performance. The employees will receive cash or equity (depending on the scheme) that is linked to the price of equity instruments of the parent undertaking. It is the parent undertaking that is obliged to make the payments to the employees.

During the five month period ended 31 May 2013 Starwood Hotels & Resorts Worldwide Inc. granted restricted stocks under the 2004 Long-Term Incentive Compensation Plan. On 31 May 2013, stockholders approved the 2013 Long-Term Incentive Compensation Plan, which superseded the 2004 Long-Term Incentive Compensation Plan. In 2013, all grants to The Park Lane Hotel Limited employees were made prior to 31 May 2013, hence under the 2004 Long-Term Incentive Compensation plan.

The company recognised a charge for employee compensation expense of £224,000 (2012 £322,000) during the year.

The awards are settled by the parent company and the employee compensation expenses recharged to The Park Lane Hotel Limited over the vesting period for the accruals. At period end the company has no direct liability to settle the awards through cash or equity.

#### **2004 Long-Term Incentive Compensation Plan**

Although no additional awards will be granted under the 2004 LTIP, the provisions under the previous plan will continue to govern awards that have been granted and remain outstanding under that plan.

Restricted stocks generally vest after 3 years. There is no expiry period on restricted stocks. Restricted stocks are equity settled once the vesting period has expired. Market values are used to calculate the stock values at date of grant.

All stocks are traded in the USA and valued in US Dollars. An exchange rate of 1.6495 as at 31 December 2013 has been used to convert all values in GBP.

The following table illustrates the number and weighted average exercise prices (WAEP) and movements in restricted stocks during the year.

	2013		2012	
	No	WAEP	No	WAEP
Outstanding as at 1st of January	83,414	23.59	127,035	21.03
Granted during the year	8,987	36.57	9,312	34.02
Exercised during the year	(76,110)	40.06	(52,933)	33.42
Outstanding as at 31st December	16,291	35.47	83,414	23.59
Exercisable as at 31st December	-	-	63,215	21.60

## Notes to the financial statements

at 31 December 2013

### 17. Share-based payments (continued)

The weighted average share price at the date of exercise for the options exercised in 2013 was £40.06 (2012 £33.42)

The weighted average fair value per option for options granted during 2013 was £36.57 (2012 £34.02)

For the restricted stocks outstanding as at 31 December 2013, the weighted average remaining contractual life is 13 months (2012 10 months)

### 18. Post-balance sheet events

Sheraton Hotels (UK) plc, the immediate parent of The Park Lane Hotel Limited, reached an agreement on 25 February 2014 to sell the investment in The Park Lane Hotel Limited to Sir Richard Sutton's Settled Estates, with expected completion date on 30 April 2014

Sir Richard Sutton's Settled Estates plans to transfer all the assets and liabilities of The Park Lane Hotel Limited to another company, Genesta Park Lane LLP, and liquidate The Park Lane Hotel Limited in the next 12 months after the date of approval of the financial statements

### 19. Ultimate parent undertaking and controlling party

The directors regard Starwood Hotels and Resorts Worldwide Inc, a company incorporated in the United States of America, as the ultimate parent undertaking and the ultimate controlling party

SII Real Estate Holdings Inc is the parent undertaking of the smallest group of which the company is a member and for which group financial statements are drawn up. Copies of the financial statements are available from One StarPoint, Stamford, CT 06902, USA

Starwood Hotels and Resorts Worldwide Inc, a company incorporated in the United States of America, is the parent undertaking of the largest group of which the company is a member and for which group financial statements are drawn up. Copies of the financial statements are available from One StarPoint, Stamford, CT 06902, USA