

Registration number 543409

Marybone Hotels Holdings Limited

Directors' Report and Financial Statements

for the Year Ended 31 December 2012

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

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Marybone Hotels Holdings Limited
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Marybone Hotels Holdings Limited
Company Information

Directors	M Rosenberg E J Rieck
Company secretary	S A Coughlan
Registered office	Queens Court 9-17 Eastern Road Romford Essex RM1 3NG
Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

Marybone Hotels Holdings Limited
Directors' Report for the Year Ended 31 December 2012

The directors present their report and the audited financial statements for the year ended 31 December 2012

Directors of the company

The directors who held office during the year were as follows

M Rosenberg

E J Rieck

W2001 Britannia LLC (Resigned 31 January 2013)

W2001 Two CV (Resigned 31 January 2013)

Principal activity

The principal activity of the company was the provision of finance for other group companies. The company did not trade during the year and the Directors do not expect the company to trade for the foreseeable future.

Business review

Fair review of the business

The company's retained profit for the year ended 31 December 2012 amounted to £1.4 million (2011 Retained profit for the year of £0.9 million).

The year end balance sheet position is set out in the balance sheet on page 10. The company's net liabilities as at 31 December 2012 decreased from £5.2 million to £3.8 million reflecting the retained profit for the year of £1.4 million which arises wholly from the foreign exchange profit due to the revaluation of the company's Dutch Guilder shares at the closing rate for the year.

Marybone Hotels Holdings Limited
Directors' Report for the Year Ended 31 December 2012

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Principal risks and uncertainties

The company is a subsidiary within the QMH Limited group and as such the principal risks and uncertainties are the same as those facing the group -

The management of the group's business and the execution of the group's strategy are subject to a number of risks. The key business risks and uncertainties affecting the group are considered to be as follows

Covenant compliance

Management actively monitors the group's debt facilities for compliance with covenants as set out above, and prepares rolling quarterly profit and interest forecasts and sensitivity analyses, which enable them to identify concerns relating to covenant compliance early and to take remedial action where necessary

The UK Senior loan facility was extended on 22 March 2013 to 20 April 2015. This facility was reduced in 2012 by £11.1 million as a result of mandatory repayments following intra group asset sales and voluntary debt repayments. An additional new UK Senior facility of £4.1m was taken out during 2012.

The UK Senior loan facility contains four financial covenant calculations required on a quarterly basis. These are a cashflow cover ratio, a loan to value ratio, a senior interest cover ratio and a senior leverage ratio. The forecast is currently showing compliance for the next 12 months albeit with limited headroom. Remedies are available to the directors in the event of a downturn of trading results.

The European senior facility was repaid in full on 28 March 2013 as a result of the sale of the German division.

On 13 February 2013 the Mezzanine Lenders extended the mezzanine loan to 28 October 2015 and all interest is now PIYC. The Mezzanine loan facility contains a financial covenant, which requires the calculation of a Debt-to-Ebitda ratio on a quarterly basis. The Group breached this covenant in the quarters ended 30 September 2012 and 31 December 2012. No enforcement action has been taken by the Mezzanine Lenders to date. Formal Standstill Agreements were signed on 22 March 2013 and 4 June 2013 confirming that no enforcement action will be taken as a result of the covenant breaches while the Standstill Agreement is in place. The Standstill Agreement expires on 14 September 2013.

The Netherlands senior facility with Rabobank matures on 30 June 2013. Discussions are continuing in respect of an extension.

The Directors have considered the issue of going concern and have prepared the financial statements on that basis, whilst acknowledging material uncertainties as to any potential steps that may be taken by the Mezzanine Lenders. Further details around the going concern decision and mitigating actions against potential risks are outlined in the following sections. The continuing Event of Default does not cause any cross default to any of the other loans within the Group.

Market risks

The hotels operate in regulated markets and could be adversely impacted by change to existing regulations, new regulations, and or failure to comply with regulations.

Equally the hotels operate under licenses from franchisors and could therefore be adversely impacted by changes to or failure to meet standards.

Mitigation

The management team play a leading role in regularly assessing demand density, performance against competitive sets of equal or similar properties, and new products entering the market.

Management seek to control this type of risk through involvement in franchise associations who regularly meet with the respective franchisor to discuss brand standards.

Marybone Hotels Holdings Limited
Directors' Report for the Year Ended 31 December 2012

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Other risks

The company is subject to certain financial risks as a result of being guarantor to loans held by the company's direct and indirect parent companies. Details of how these companies manage specific risks are set out in the financial statements of those companies. Details of how to obtain copies of these financial statements are set out in note 13 to these accounts.

Going concern

Given that the company forms part of the QMH Limited group and relies on the performance of the group, the directors of the company have taken in to account the going concern assessment made by the directors of QMH Limited. The Group breached its Debt EBITDA covenant in respect of the Mezzanine loan in the quarters ended 30 September 2012 and 31 December 2012. The Mezzanine Lenders have signed a standstill agreement which will expire on 14 September 2013 and no enforcement action has been taken. This time is being used by the Mezzanine Lenders to review their options. At the expiry of the Standstill Agreement the debt is repayable on demand. The Company will require the ongoing support of the Mezzanine Lenders in order to continue as a going concern, specifically in taking no enforcement action and agreeing that available funds can be used to pay other liabilities of the company.

The directors have reviewed and approved forecasts prepared by management which show compliance with the UK Senior covenants for the next four quarters albeit with limited headroom. Remedies are available to the directors in the event of a downturn of trading results.

The group is currently exploring certain options to mitigate current breaches of the Mezzanine loan and possible future breaches of the Senior loans as follows,

- Ongoing discussion with the Mezzanine Lenders to extend the Standstill Agreement and reset covenants,
- Undertaking discussions with the UK Senior Lenders to reset certain covenants,
- Undertaking potential deleveraging transactions, including sale of certain individual assets in both divisions and negotiations with landlords regarding potential amendments to leases.

The conditions indicate the existence of material uncertainties, which may cast significant doubt about the group's and parent company's ability to continue as a going concern. However, the directors consider that there is a reasonable possibility of avoiding an insolvent liquidation and have therefore prepared the financial statements on going concern basis.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Marybone Hotels Holdings Limited
Directors' Report for the Year Ended 31 December 2012

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Reappointment of auditors

PricewaterhouseCoopers LLP are deemed to be reappointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continued in force under the Companies Act 2006

Approved by the Board on 18 June 2013 and signed on its behalf by


S A Coughlan
Company secretary

Marybone Hotels Holdings Limited

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 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 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.

Independent Auditor's Report to the Members of Marybone Hotels Holdings Limited

We have audited the financial statements of Marybone Hotels Holdings Limited for the year ended 31 December 2012, which comprise the Profit and Loss Account, the Balance Sheet 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).

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.

This report, including the opinions, has been prepared for and only for the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its 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.

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures set out in the accounting policies note to the financial statements concerning the company and its parent company's ability to continue as a going concern.

The Group breached its Debt EBITDA covenant in respect of the Mezzanine loan in the quarters ended 30 September 2012 and 31 December 2012. The Group will require the ongoing support of the Mezzanine Lenders in order to continue as a going concern, specifically in taking no enforcement action and agreeing that available funds can be used to pay other liabilities of the company. Additionally, the directors' forecasts show compliance with the UK Senior covenants for the next four quarters albeit with limited headroom. The group is currently exploring options to mitigate current and possible future breaches for its debt facilities.

These conditions indicate the existence of material uncertainties 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 was unable to continue as a going concern.

**Independent Auditor's Report to the Members of
Marybone Hotels Holdings Limited**

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Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



John Ellis (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

19 June 2013

Marybone Hotels Holdings Limited
Profit and Loss Account for the Year Ended 31 December 2012

	Note	2012 £ 000	2011 £ 000
Other operating income		<u>1,398</u>	<u>1,241</u>
Operating profit		<u>1,398</u>	<u>1,241</u>
Profit on ordinary activities before taxation		1,398	1,241
Tax on profit on ordinary activities	4	<u>-</u>	<u>(302)</u>
Profit for the financial year	8	<u><u>1,398</u></u>	<u><u>939</u></u>

The company has no recognised gains or losses for the year other than the results above

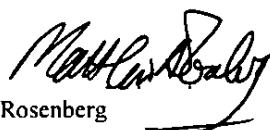
Operating profit derives wholly from continuing operations

There is no difference between the profit on ordinary activities before taxation and the profit for the years stated above and their historical cost equivalents

Marybone Hotels Holdings Limited
(Registration number: 543409)
Balance Sheet at 31 December 2012

	Note	2012 £ 000	2011 £ 000
Current assets			
Debtors	5	42,912	42,912
Creditors Amounts falling due after more than one year	6	<u>(46,740)</u>	<u>(48,138)</u>
Net liabilities		<u>(3,828)</u>	<u>(5,226)</u>
Capital and reserves			
Called up share capital	7	5	5
Profit and loss account	8	<u>(3,833)</u>	<u>(5,231)</u>
Shareholders' deficit	9	<u>(3,828)</u>	<u>(5,226)</u>

Approved by the Board on 18 June 2013 and signed on its behalf by


M Rosenberg
Director

Marybone Hotels Holdings Limited
Notes to the Financial Statements for the Year Ended 31 December 2012

1 Accounting policies

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention as modified by the revaluation of freehold and long leasehold properties and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year are set out below.

Exemption from preparing a cash flow statement

The company is exempt from preparing a cash flow statement as it is a wholly owned subsidiary of QMH Limited and the cashflows of the company are included in the consolidated cashflow statement of that company. Consequently, the company is exempt under the provisions of Financial Reporting Standard 1 (revised 1996) "Cash Flow Statements" from publishing a cashflow statement.

Going concern

The balance sheet set out on page 10 shows the company has net current liabilities of £3,828,000 at 31 December 2012, due to the outstanding preference shares.

Given that the company forms part of the QMH Limited group and relies on the performance of the group, the directors of the company have taken in to account the going concern assessment made by the directors of QMH Limited. The Group breached its Debt EBITDA covenant in respect of the Mezzanine loan in the quarters ended 30 September 2012 and 31 December 2012. The Mezzanine Lenders have signed a standstill agreement which will expire on 14 September 2013 and no enforcement action has been taken. This time is being used by the Mezzanine Lenders to review their options. At the expiry of the Standstill Agreement the debt is repayable on demand. The Company will require the ongoing support of the Mezzanine Lenders in order to continue as a going concern, specifically in taking no enforcement action and agreeing that available funds can be used to pay other liabilities of the company.

The directors have reviewed and approved forecasts prepared by management which show compliance with the UK Senior covenants for the next four quarters albeit with limited headroom. Remedies are available to the directors in the event of a downturn of trading results.

The group is currently exploring certain options to mitigate current breaches of the Mezzanine loan and possible future breaches of the Senior loans as follows,

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The conditions indicate the existence of material uncertainties, which may cast significant doubt about the group's and parent company's ability to continue as a going concern. However, the directors consider that there is a reasonable possibility of avoiding an insolvent liquidation and have therefore prepared the financial statements on going concern basis.

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 translated to sterling at the rate of exchange ruling at the balance sheet date.

Marybone Hotels Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

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2 Auditor's remuneration

Auditors' remuneration for the financial year ended 31 December 2012 amounting to £1,000 (2011 £1,000) has been borne by QMH Limited on behalf of the company

3 Directors' remuneration

The fees for Mr Rieck and Mr Rosenberg were paid by QMH Limited, no recharge was made to the company

W2001 Britannia LLC and W2001 Two CV received no remuneration for their services as directors of the company or any of the company's fellow subsidiaries

Marybone Hotels Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

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4 Taxation

Tax on profit on ordinary activities

	2012 £ 000	2011 £ 000
Current tax		
Corporation tax charge	<u>-</u>	<u>302</u>

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%)

The differences are reconciled below

	2012 £ 000	2011 £ 000
Profit on ordinary activities before taxation	<u>1,398</u>	<u>1,241</u>
Corporation tax at standard rate	343	329
Other timing differences	(343)	-
Adjustment to tax charge in respect of previous periods	<u>-</u>	<u>(27)</u>
Total current tax	<u>-</u>	<u>302</u>

5 Debtors

	2012 £ 000	2011 £ 000
Amounts owed by group undertakings	<u>42,912</u>	<u>42,912</u>
	<u>42,912</u>	<u>42,912</u>

Included within amounts owed by group undertakings are non-interest bearing loans to the immediate parent company of £42,912,000 (2011 £42,912,000). These loans are repayable on demand, on giving thirty days notice, however the company has confirmed that it has no current intention of calling for repayment.

Marybone Hotels Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

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6 Creditors: Amounts falling due after more than one year

	2012 £ 000	2011 £ 000
127,000,000 Dutch Guilder redeemable preference shares of NLG 1 each	<u>46,740</u>	<u>48,138</u>

Shareholders are not entitled to receive dividends on the preference shares. The preference shares are redeemable at any time by the company at par or in the case of a partial redemption proportionately in respect of each holding of preference shares. On winding up or return of capital, the holders of the preference shares are entitled to the amounts paid up on the preference shares held in priority to the holders of any other shares. No voting rights attach to these shares.

7 Share capital

Allotted, called up and fully paid shares

	2012		2011	
	No.	£ 000	No.	£ 000
Ordinary of £1 each	<u>5,000</u>	<u>5</u>	<u>5,000</u>	<u>5</u>

8 Reserves

	Profit and loss account £ 000	Total £ 000
At 1 January 2012	(5,231)	(5,231)
Profit for the financial year	<u>1,398</u>	<u>1,398</u>
At 31 December 2012	<u>(3,833)</u>	<u>(3,833)</u>

Marybone Hotels Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

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9 Reconciliation of movement in shareholders' funds

	2012 £ 000	2011 £ 000
Profit for the financial year	1,398	939
Net addition to shareholders' funds	1,398	939
Shareholders' deficit at 1 January	(5,226)	(6,165)
Shareholders' deficit at 31 December	(3,828)	(5,226)

10 Contingent liabilities

On 24 November 2004 the company entered into a guarantee providing fixed and floating charges over its assets, together with certain other subsidiary undertakings, to secure a mezzanine loan held by QMH Limited, which at 31 December 2012 amounted to £166,350,000 (2011 £157,620,000)

11 Related party transactions

The company is a wholly owned subsidiary of QMH Limited. Consequently it has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group.

12 Exchange rates

The exchange rates used to translate the Dutch guilder shares into sterling are listed below

	Closing rate 2012	Closing rate 2011
Dutch guilder	2 72	2 64

Marybone Hotels Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

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13 Ultimate parent company

The company is controlled by QMH Limited, which owns the entire share capital of the company and is incorporated in England and Wales. Copies of QMH Limited's consolidated financial statements are available from its registered office at 9-17 Eastern Road, Romford, Essex, RM1 3NG.

Following the transfer of shares by the previous shareholders of QMH Limited on 31 January 2013 the company has no majority or controlling shareholder.

Prior to the change, W2001 Britannia LLC was the majority shareholder. W2001 Britannia LLC is a limited liability company formed under the laws of the State of Delaware on 29 April 2004.

W2001 Britannia LLC is wholly owned and controlled by four separate Delaware limited partnerships: Whitehall Street Global Real Estate Limited Partnership 2001, Whitehall Street International Real Estate Limited Partnership 2001, Whitehall Street Global Employee Fund 2001, L.P. and Whitehall Street International Employee Fund 2001 (Delaware), L.P. each formed in early 2001. The sole general partner of each Whitehall 2001 Partnership is a special purpose Delaware limited liability company that is wholly owned by Goldman Sachs. The limited partners of each Whitehall 2001 Partnership include (as applicable) Goldman Sachs, institutional investors, employees of Goldman Sachs and its affiliates and private clients of Goldman Sachs and its affiliates.

The results of QMH Limited are not and were not previously consolidated by any other entity.