REGISTERED NUMBER: 00879456

Adda Hotels

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

CONTENTS OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2013

COMPANY INFORMATION
for the year ended 31 December 2013

DIRECTORS:	Mrs E J Rabin Mr S R Vincent Mr M J Way Hilton Corporate Director LLC Mr J Percival Mr O Lifschitz
SECRETARY:	HLT Secretary Limited
REGISTERED OFFICE:	Maple Court Central Park Reeds Crescent Watford Hertfordshire WD24 4QQ
REGISTERED NUMBER:	00879456
AUDITORS:	Ernst & Young LLP 1 More London Place London SE1 2AF

Adda Hotels (Registered number: 00879456)

STRATEGIC REPORT
for the year ended 31 December 2013

The directors present their strategic report for the year ended 31 December 2013.

The principal activity of the company in the year under review was to operate twelve hotels under operating leases and manage two hotels under management contracts.

REVIEW OF BUSINESS
The company's key financial indicators of performance during the year are considered to be:

	2013	2012
	£	£
Turnover	128,582,061	127,055,624
Gross profit\(loss)	549,567	(3,687,245)
Occupancy	79%	77%

Turnover derives from 12 leased and 2 managed hotels and has remained largely stable year on year.

The primary driver behind the movement in gross profit is a lower fixed asset impairment charge of £2,176,572 (2012: £5,808,891) with the 2012 charge writing off the full value of the assets of eight leased hotels, and the 2013 charge representing the write off of 2013 additions due to the continued poor performance of these eight hotels held by the company.

PRINCIPAL RISKS AND UNCERTAINTIES
Competitive risk
This company operates in a number of locations around the UK. Risks that arise come from competitors opening new hotels or improving an existing hotel. The company monitors its competitors performance and participates in regular benchmarking to understand the company's position compared to its competitors.

Economic risk
The company is subject to the cyclical nature of the hospitality and travel industry not just in its own market but those of its customers. Budgeting and forecasting processes enable the company to identify risks in market trends early to enable mitigation of such risks.

Interest rate risk
This company is subject to interest rate risk on intercompany loans where the interest rate is linked to LIBOR. The company's treasury department monitors interest rates.

Management does not believe the company is any more exposed to financial statement risk factors than others in the industry and has a system of internal controls and procedures that attempt to mitigate such risk.

FUTURE DEVELOPMENTS
The company will continue to operate and manage hotels under lease and management contracts in the future with a view to optimising returns.

ON BEHALF OF THE BOARD:

Mrs E J Rabin - Director

10 June 2014

REPORT OF THE DIRECTORS
for the year ended 31 December 2013

The directors present their report with the financial statements of the company for the year ended 31 December 2013.

DIVIDENDS
No dividends will be distributed for the year ended 31 December 2013.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2013 to the date of this report.

Mrs E J Rabin
Mr S R Vincent
Mr M J Way
Hilton Corporate Director LLC
Mr J Percival
Mr O Lifschitz

Other changes in directors holding office are as follows:

Mr S Humphreys - resigned 5 August 2013

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE
No significant post balance sheet events have occurred.

DIRECTORS' AND OFFICERS' LIABILITY
During the year Hilton Worldwide Holdings Inc purchased and maintained on behalf of the company liability insurance for its directors and officers, in respect of proceedings brought by third parties, as permitted by section 236 of the Companies Act 2006.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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.

REPORT OF THE DIRECTORS
for the year ended 31 December 2013

STATEMENT AS TO DISCLOSURE OF INFORMATION TO 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, each director has taken all the steps that he/she is obliged to take as a director to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS

In accordance with section 485 of the Companies Act 2006, a resolution is proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company.

ON BEHALF OF THE BOARD:

Mrs E J Rabin - Director

10 June 2014

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ADDA HOTELS

We have audited the financial statements of Adda Hotels for the year ended 31 December 2013 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).

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 a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 Strategic Report and the Report of the Directors 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors 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.

Ernst & Young L.L.P.

Cameron Cartmell (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
1 More London Place
London
SE1 2AF

10 June 2014

Adda Hotels (Registered number: 00879456)

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2013

	Notes	2013 £	2012 £
TURNOVER	3	128,582,061	127,055,624
Cost of sales		(128,032,494)	(130,742,869)
GROSS PROFIT/(LOSS)		549,567	(3,687,245)
Administrative expenses		(9,667,612)	(9,518,428)
OPERATING LOSS	5	(9,118,045)	(13,205,673)
Profit/(loss) on disposal of tangible fixed assets		65,571	-
		(9,052,474)	(13,205,673)
Interest receivable	6	9,275	80,848
Interest payable	7	(38,045)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(9,081,244)	(13,124,825)
Tax on loss on ordinary activities	8	(648,525)	16,622
LOSS FOR THE FINANCIAL YEAR		(9,729,769)	(13,108,203)

CONTINUING OPERATIONS
None of the company's activities were acquired or discontinued during the current year or previous year.

TOTAL RECOGNISED GAINS AND LOSSES
The company has no recognised gains or losses other than the losses for the current year or previous year.

The notes form part of these financial statements

Adda Hotels (Registered number: 00879456)

BALANCE SHEET
31 December 2013

	Notes	2013 £	2012 £
FIXED ASSETS			
Tangible assets	10	81,064,023	78,007,587
CURRENT ASSETS			
Stocks	11	250,371	264,340
Debtors	12	23,203,188	39,034,422
Cash in hand		94,609	92,682
		23,548,168	39,391,444
CREDITORS			
Amounts falling due within one year	13	(81,206,118)	(84,263,189)
NET CURRENT LIABILITIES		(57,657,950)	(44,871,745)
TOTAL ASSETS LESS CURRENT LIABILITIES		23,406,073	33,135,842
CAPITAL AND RESERVES			
Called up share capital	15	110,005,500	110,005,500
Profit and loss account	16	(86,599,427)	(76,869,658)
SHAREHOLDERS' FUNDS	19	23,406,073	33,135,842

The financial statements were approved by the Board of Directors on 10 June 2014 and were signed on its behalf by:

EJRabin.

Mrs E J Rabin - Director

The notes form part of these financial statements

1. FUNDAMENTAL ACCOUNTING CONCEPT

The financial statements have been prepared under the going concern basis because the company's intermediate parent, Hilton Worldwide Holdings Inc, has indicated its willingness to provide adequate financial support to enable the company to meet its debts as they fall due.

2. ACCOUNTING POLICIES

Accounting convention
The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

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

Tangible fixed assets
All fixed assets are stated at cost.

Impairment tests are carried out as and when required by FRS 11.

Depreciation
No depreciation is provided on freehold land. Buildings are depreciated to residual values over a period of 50 years or the estimated length of the life of the building, or the lease, whichever is less on a straight line basis.

Fixtures, fittings and equipment are depreciated on a straight line basis at rates between 7.5% and 33.3% which are estimated to write down cost to residual values over their useful lives.

Stocks
Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

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;

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

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.

2. **ACCOUNTING POLICIES - continued**

Hire purchase and leasing commitments
Rentals applicable to operating leases under which substantially all the benefits and risks of ownership remain with the lessor, are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits
The company contributes to the Hilton Worldwide Holdings Inc group defined benefit pension scheme. The company accounts for its participation in the scheme on a defined contribution basis as per 'FRS 17: Pensions and Retirement Benefits', on the basis that it is unable to identify on a consistent and reasonable basis its share of the underlying assets and liabilities of the defined benefit schemes within the Hilton Worldwide Holdings Inc group.

3. **TURNOVER**

Turnover is derived from leased properties and management fees for the operation of hotels, and arose wholly in the United Kingdom. Turnover represents sales (excluding VAT and similar taxes) of goods and services, net of discounts, provided in the normal course of business and recognised when services have been rendered. The following is a description of the composition of turnover of the company.

Leased properties - primarily derived from hotel operations, including the rental of rooms, conference and banqueting, food and beverage sales from owned and leased hotels. Turnover is recognised when rooms are occupied and food and beverages are sold.

Management fees - earned from hotels managed by the company, usually under long-term contracts with the hotel owner. Management fees include a base fee, which is generally a percentage of hotel revenue, and an incentive fee, which is generally based on the hotel's profitability or cash flows. Turnover is recognised when earned and realised or realisable under the terms of the contract.

4. **STAFF COSTS**

All operations of the company during the year ended 31 December 2013 have been undertaken by employees of other companies within Hilton Worldwide Holdings Inc. A charge of £24,939,757 has been included in the financial statements in cost of sales in respect of their services (2012: £25,282,661).

5. **OPERATING LOSS**

This is stated after charging:

	2013	2012
	£	£
Management charge payable to group undertakings	5,353,313	5,316,336
Fees payable to fellow group undertakings	4,147,713	4,075,003
Depreciation of tangible fixed assets	5,567,989	5,423,015
Operating lease rentals - property	42,884,843	42,662,150
Operating lease rentals - other	525,696	496,110
Impairment charge on tangible fixed assets	2,176,572	5,808,891

The remuneration of the auditors is borne entirely by Hilton Worldwide Limited.

6. INTEREST RECEIVABLE

	2013	2012
	£	£
Interest receivable from fellow group undertakings	-	80,848
Interest receivable from third parties	9,275	-
	9,275	80,848

7. INTEREST PAYABLE

	2013	2012
	£	£
Interest payable to fellow group undertakings	38,045	-

8. TAXATION

Analysis of the tax charge/(credit)
The tax charge/(credit) on the loss on ordinary activities for the year was as follows:

	2013	2012
	£	£
Deferred tax	648,525	(16,622)
Tax on loss on ordinary activities	648,525	(16,622)

Factors affecting the tax charge/(credit)
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2013	2012
	£	£
Loss on ordinary activities before tax	(9,081,244)	(13,124,825)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.247% (2012 - 24.497%)	(2,111,117)	(3,215,188)
Effects of:		
Expenses not deductible for tax purposes	3,242	1,188
Capital allowances in excess of depreciation	(38,450)	(5,563)
Other timing differences	(13,047)	11,750
Non-deductible depreciation and impairment	588,326	1,387,266
Group relief surrendered to fellow subsidiary company free of charge	1,586,289	1,820,547
Profit on disposal	(15,243)	-
Current tax charge/(credit)	-	-

The Finance Act 2013 was substantively enacted on 2 July 2013, incorporating the further reductions in the main rate of corporation tax to 21% from 1 April 2014 and 20% from 1 April 2015. The effects of these changes are reflected in the deferred tax balance at 31 December 2013.

9. DIRECTORS' REMUNERATION

The directors of the company are also directors of Hilton UK Hotels Ltd ("the group") and other group companies. The directors received total remuneration for the year of £2.7m (2012: £2.4m) all of which was paid by other companies within the Hilton UK Hotels Ltd group. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of Hilton UK Hotels Ltd and other group companies.

10. TANGIBLE FIXED ASSETS

	Short leasehold property	Fixtures, fittings and equipment	Totals
	£	£	£
COST			
At 1 January 2013	122,629,340	54,309,689	176,939,029
Additions	5,958,414	4,842,585	10,800,999
Disposals	(497,049)	(3,997,375)	(4,494,424)
At 31 December 2013	128,090,705	55,154,899	183,245,604
DEPRECIATION			
At 1 January 2013	56,271,088	42,660,354	98,931,442
Charge for year	2,433,396	3,134,594	5,567,990
Eliminated on disposal	(497,049)	(3,997,374)	(4,494,423)
Impairments	744,931	1,431,641	2,176,572
At 31 December 2013	58,952,366	43,229,215	102,181,581
NET BOOK VALUE			
At 31 December 2013	69,138,339	11,925,684	81,064,023
At 31 December 2012	66,358,252	11,649,335	78,007,587

The amounts written off tangible fixed assets comprise impairment of fixed assets of eight hotels. The impairment charge has been measured by reference to the value in use of the income generating unit, using a discount rate of 10%.

11. STOCKS

	2013	2012
	£	£
Goods for resale	250,371	264,340

The directors estimate that the replacement cost of stocks is not materially different from their book value amounts.

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013	2012
	£	£
Trade debtors	4,223,825	3,902,417
Amounts owed by group undertakings	130,943	14,661,132
Other debtors	824	417,520
Deferred tax asset	6,745,361	7,393,886
Prepayments and accrued income	12,102,235	12,659,467
	23,203,188	39,034,422

At 31 December 2013, of the deferred tax asset balance of £6,745,361 (2012: £7,393,886), an amount of £5,589,699 (2012: £6,225,451) relates to items recoverable after more than one year.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013	2012
	£	£
Trade creditors	2,238,976	1,589,957
Amounts owed to group undertakings	62,228,367	66,337,530
Social security and other taxes	5,196,512	5,367,537
Other creditors	91,473	52,414
Accruals and deferred income	11,450,790	10,915,751
	81,206,118	84,263,189

Amounts owed to group undertakings are included in amounts due within one year where there are no specified repayment terms. While amounts owed to group undertakings are technically repayable on demand, and hence are included in amounts due within one year, the directors are of the opinion that in the ordinary course of business, repayment within such a timescale would not be required.

14. DEFERRED TAX

	£
Balance at 1 January 2013	(7,393,886)
Origination and reversal of timing differences	(266,066)
Prior year adjustment	5,380
Effect of change in rate	909,211
Balance at 31 December 2013	(6,745,361)

The asset at 31 December 2013 relates mainly to capital allowances.

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2013	2012
			£	£
110,000,500	Ordinary shares	£1	110,000,500	110,000,500
5,000	Deferred shares	£1	5,000	5,000
			110,005,500	110,005,500

15. CALLED UP SHARE CAPITAL - continued

The deferred shares carry no rights to participate in the company's profits. On liquidation or otherwise, the surplus assets shall be applied first in repaying to the holders of ordinary shares £1,000 per share, and secondly repaying to the holders of the deferred shares the amount paid up on such shares; the balance of the surplus assets shall be distributed to the holders of the ordinary shares in proportion to the amounts paid up thereon. As regards voting on a show of hands, the holders of each class of share shall rank pari passu, and on a poll, each ordinary share shall carry 1,000 votes and each deferred share one vote.

16. RESERVES

	Profit and loss account £
At 1 January 2013	(76,869,658)
Deficit for the year	(9,729,769)
At 31 December 2013	(86,599,427)

17. OTHER FINANCIAL COMMITMENTS

a) Lease commitments

The annual commitment under non-cancellable operating leases is as follows

	Plant and equipment	
	2013 £	2012 £
Within one year	542,220	283,260
Between two and five years	33,313	95,596
	575,532	378,856

	Land and buildings	
	2013 £	2012 £
Leases expiring:		
After five years	44,381,846	44,307,214

18. RELATED PARTY DISCLOSURES

The company has taken advantage of provisions in FRS 8 which exempt wholly owned subsidiary undertakings within the Hilton Worldwide Holdings Inc group, from disclosing transactions with other entities within the group. The ultimate parent undertaking at 31 December 2013, Hilton Worldwide Holdings Inc has included the required related party disclosures within its group financial statements.

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013	2012
	£	£
Loss for the financial year	(9,729,769)	(13,108,203)
Net reduction of shareholders' funds	(9,729,769)	(13,108,203)
Opening shareholders' funds	33,135,842	46,244,045
Closing shareholders' funds	23,406,073	33,135,842

20. PARENT UNDERTAKING, CONTROLLING PARTY AND CONSOLIDATING ENTITY

The company's immediate parent undertaking is HLT Managed IV-A Holding Limited, an investment holding company registered in England.

The ultimate parent undertaking and controlling party at 31 December 2013 is BH Hotels Holdco LLC, a company controlled by certain investment funds affiliated with the Blackstone Group L.P., a publicly owned entity registered in the United States of America.

The only undertaking for which group financial statements were prepared and into which the company is consolidated for 31 December 2013, was Hilton Worldwide Holdings Inc (previously Hilton Worldwide, Inc), a Delaware company incorporated in the United States of America. These group financial statements are available from the company secretary, Hilton Worldwide Holdings Inc, 7930 Jones Branch Drive, McLean, Fairfax County, Virginia VA 22102-3302, United States of America .

21. CASH FLOW STATEMENT

The company has taken advantage of the provision within FRS 1 which exempts subsidiary undertakings, 90% or more whose voting rights are controlled within Hilton Worldwide Holdings Inc, from preparing a cash flow statement as consolidated financial statements in which the company is included are publicly available.

22. PENSIONS

The company is unable to identify on a consistent and reasonable basis its share of the underlying assets and liabilities of the defined benefit schemes in relation to the Hilton Worldwide Holdings Inc UK Pension Plan. As a result, the company accounts for its participation in such schemes on a defined contribution basis as per 'FRS 17: Pensions and Retirement Benefits' and contributions are charged to the profit and loss account. During the year, the company made £446,916 (2012: £389,300) of contributions to defined benefit schemes.

As at 31 December 2013 the defined benefit schemes within the Hilton Worldwide Holdings Inc UK Pension Plan in which the company participated had a closing Benefit Obligation of £231m (2012: £226m) and Fund Assets of £234m (2012: £225m). During March 2012, the scheme was closed on a deferred basis from November 2013 such that no further contributions will be made either by any company or by any employees and no further benefits will accrue after that date.

23. CAPITAL COMMITMENTS

The company has not entered into any capital commitments contracted for but not provided in the financial statements at period end.

24. CONTINGENT LIABILITIES

The company had jointly and severally guaranteed the value added tax liability of other companies within the same UK VAT group, which amounted to approximately £1.8m (2012: £1.2m) at 31 December 2013.