

Company Registration No. 03141385 (England and Wales)

Malmaison Limited

Directors' report and financial statements

For the year ended 30 June 2014

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Malmaison Limited

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Malmaison Limited

Strategic report

For the year ended 30 June 2014

The directors present their strategic report and financial statements for the year ended 30 June 2014.

Review of the business

In February 2014, the Company opened the latest hotel in the Malmaison portfolio, situated in Dundee. The Company engaged in the management of this hotel and restaurant under the Malmaison brand.

The Board are pleased to report that, in the first period of trading, the business is already displaying sales figures ahead of expectations.

Risk management

The Board and Senior Executive team of the wider Group identify and evaluate risks and uncertainties in the period covered by its Business Plan and design controls to mitigate these. Responsibility for management of each key risk is identified and delegated to specific executives within the business. As a company operating in the hospitality industry, areas of risk specific to the Company include those involving Market Risk, Health & Safety Risk and Financial Risk. A review of the impact on the Group and therefore the Company and the measures in place to mitigate those risks are detailed below.

Market Risk - Loss of market share through competitor activity

Mitigation controls are in place to outperform the competition and are developed both at a strategic brand level and a tactical local level. Market information is available to establish position and to enable actions through pricing decisions and sales activities to maintain market position.

Health & Safety Risk - Serious injury as a result of Company negligence

The Group engages a third party health and safety audit company which is independent of the group to carry out regular health and safety site audits to ensure adherence with all current policies and procedures.

Financial Risk - Impact of economic factors that affect our customers or our costs

Mitigation controls to financial risks as a result of the broader general economic factors and their impact are managed through our ability to be flexible with our customer base and react swiftly to change in our cost base.

Position at year end

On 30 June 2014, as part of a group-wide restructuring, the Company's trade and assets in relation to Malmaison Dundee, were sold to Malmaison Trading Limited, a fellow subsidiary fully owned within the Malmaison and Hotel du Vin Group. The purpose of this restructuring was to simplify the administrative structure of the Group. Further information on how the decision to restructure the group has affected these financial statements can be found in note 1.

Malmaison Limited

Strategic report (continued)

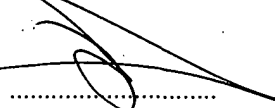
For the year ended 30 June 2014

Key performance indicators

Key performance indicators ("KPI's") are set by the Board at both Group and Company level. They are set across both financial and non-financial areas of the business to assist in giving a balanced outcome. At Company level the indicators will include targets for sales and profit growth along with the maintenance and improvement of Brand Standards. Certain targets are commercially sensitive but are set in the budget process against a realistic but stretching view of the markets in the coming year and in the context of continued brand growth and outperformance.

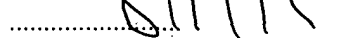
As this is the hotel's first period of trading no measures are considered suitable or relevant to be disclosed in this year's accounts.

On behalf of the board



P Roberts

Director



Malmaison Limited

Directors' report

For the year ended 30 June 2014

The directors present their report and financial statements for the year ended 30 June 2014.

Results and dividends

The results for the year are set out on page 7.

The directors do not recommend payment of an ordinary dividend (2013 - £nil).

Directors

The following directors have held office since 1 July 2013:

P Roberts
G Davis

Auditors

In accordance with the company's articles, a resolution proposing that BDO LLP be reappointed as auditors of the company will be put at a General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. As explained in note 1 to the financial statements, the directors do not believe the going concern basis to be appropriate and, in consequence, these financial statements have not been prepared on that basis.

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.

Malmaison Limited

Directors' report (continued)

For the year ended 30 June 2014

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

P Roberts
Director

Malmaison Limited
Company Registration No. 03141385

One Fleet Place
London
EC4M 7WS

Malmaison Limited

Independent auditors' report

To the members of Malmaison Limited

We have audited the financial statements of Malmaison Limited for the year ended 30 June 2014 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). As described in note 1, the financial statements have not been prepared on a going concern basis.

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2014 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.

Malmaison Limited

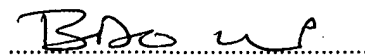
Independent auditors' report (continued)

To the members of Malmaison 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.

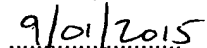


Ian Clayden (Senior Statutory Auditor)

for and on behalf of BDO LLP, Statutory Auditor

55 Baker Street

London, W1U 7EU



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

Malmaison Limited

Profit and loss account

For the year ended 30 June 2014

	Notes	2014 £	2013 £
Turnover	2	1,613,293	-
Cost of sales		(998,036)	-
Gross profit		615,257	-
Administrative expenses		(1,331,483)	-
Other operating income		460,692	-
Operating loss	3	(255,534)	-
Investment income	4	89,575,000	-
Interest receivable and similar income	4	902,287	1,066,267
Amounts written off investments	5	(21,978,303)	-
Interest payable and similar charges	6	-	(14,875,021)
Profit/(loss) on ordinary activities before taxation		68,243,450	(13,808,754)
Tax on profit/(loss) on ordinary activities	7	-	-
Profit/(loss) for the year	14	68,243,450	(13,808,754)

All amounts in the current and prior year relate to discontinued operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

The notes on pages 9 to 16 form part of these financial statements.

Malmaison Limited

Balance sheet

As at 30 June 2014

	Notes	30 June 2014		30 June 2013	
		£	£	£	£
Fixed assets					
Investments	9		10,218		17,278,521
Current assets					
Debtors	10	485,123,396		399,311,643	
Cash at bank and in hand		2		2	
		<u>485,123,398</u>		<u>399,311,645</u>	
Creditors: amounts falling due within one year	11	<u>(476,257,024)</u>		<u>(475,957,024)</u>	
Net current assets/(liabilities)			<u>8,866,374</u>		<u>(76,645,379)</u>
Total assets less current liabilities			<u><u>8,876,592</u></u>		<u><u>(59,366,858)</u></u>
Capital and reserves					
Called up share capital	13		269,621		269,621
Profit and loss account	14		<u>8,606,971</u>		<u>(59,636,479)</u>
Shareholders' funds/(deficit)	15		<u><u>8,876,592</u></u>		<u><u>(59,366,858)</u></u>

The notes on pages 9 to 16 form part of these financial statements.

The financial statements were approved and authorised for issue by the board of directors on and were signed on its behalf by:

.....
P Roberts
Director

Malmaison Limited
Company Registration No. 03141385

Malmaison Limited

Notes to the financial statements

For the year ended 30 June 2014

1 Accounting policies

1.1 Accounting conventions

Basis of preparation

The financial statements are prepared under the historical cost convention.

Going concern

As described in the Strategic report on page 1, substantially all of the trade and assets of the Company were transferred to Malmaison Trading Limited during the year. As a result the Directors have concluded that it is not appropriate to adopt a going concern basis of preparation in these financial statements. There have been no effects on the measurement and recognition of the Company's assets and liabilities of preparing the financial statements on a basis other than that of a going concern.

FRS1 exemption

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group and the consolidated accounts are publically available.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. It is recognised at the point services are provided to the guest. Deposits received are held on the balance sheet and shown as a current liability.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation and any recognised impairment losses. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Investments

The interest of the Company in the shares of subsidiary undertakings is stated at cost less any provision for impairment.

1.7 Pensions

The Company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

Malmaison Limited

Notes to the financial statements (continued)

For the year ended 30 June 2014

1 Accounting policies

(continued)

1.8 Deferred taxation

Deferred taxation is recognised in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes, except that deferred tax assets are recognised only to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. The deferred tax balance has not been discounted.

1.9 Group accounts

The financial statements present information about the Company as an individual undertaking and not about its group. The Company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Malmaison Hotel du Vin Holdings Limited and MHDV Holdings (UK) Limited, companies incorporated in England and Wales, and is included in the consolidated accounts of those companies.

1.10 Capital contributions

Where debts due to other group companies are waived on instruction from the company's parent this is treated as a capital contribution and recognised as a movement in the profit and loss reserve.

2 Turnover

The total turnover of the Company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss

Operating loss is stated after charging:

Depreciation of tangible assets

Operating lease rentals

Fees for the audit of the Company

and after crediting:

Profit on disposal of intangible assets

2014

2013

£

£

25,288

70,833

1,000

(7)

1,000

4 Investment income and interest receivable

2014

2013

£

£

Income from shares in group undertakings

Intercompany interest

89,575,000

902,287

90,477,287

-

1,066,267

1,066,267

Malmaison Limited

Notes to the financial statements (continued)

For the year ended 30 June 2014

5	Amounts written off investments	2014 £	2013 £
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Amounts written off fixed asset investments:

- permanent diminution in value

21,978,303

6	Interest payable	2014 £	2013 £
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On amounts payable to group companies

14,875,021

7	Taxation	2014 £	2013 £
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Total current tax

Factors affecting the tax charge for the year

Profit/(loss) on ordinary activities before taxation

68,243,450 (13,808,754)

Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 22.50% (2013 - 23.75%)

15,354,776 (3,279,579)

Effects of:

Non deductible expenses

4,947,125

Non taxable income from group undertakings

(20,154,375)

Accelerated capital allowances

5,690

Group relief surrendered (from)/to other group companies for no consideration

(153,216)

3,279,579

(15,354,776)

3,279,579

Current tax charge for the year

-

-

Malmaison Limited

Notes to the financial statements (continued)

For the year ended 30 June 2014

8 Tangible fixed assets

	Fixtures, fittings & equipment £
Cost	
At 1 July 2013	-
Additions	1,428,236
Disposals	(1,428,236)
At 30 June 2014	-
Depreciation	
At 1 July 2013	-
On disposals	(25,288)
Charge for the year	25,288
At 30 June 2014	-
Net book value	
At 30 June 2014	-

On 30 June 2014, the trade and assets of the Company were sold at carrying value to a fellow subsidiary, Malmaison Trading Limited.

Malmaison Limited

Notes to the financial statements (continued)

For the year ended 30 June 2014

9 Fixed asset investments

		Shares in subsidiary undertakings £
Cost		
At 1 July 2013	17,278,521	
Additions	4,710,000	
At 30 June 2014	21,988,521	
Provisions for diminution in value		
At 1 July 2013	-	
Charge for the year	21,978,303	
At 30 June 2014	21,978,303	
Net book value		
At 30 June 2014	10,218	
At 30 June 2013	17,278,521	

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held	%
Subsidiary undertakings				
The Malmaison Company (Edinburgh) Limited	England and Wales	Ordinary	100.00	
The Malmaison Hotel (Glasgow) Limited	Scotland	Ordinary	100.00	
The Malmaison Hotel (Manchester) Limited	England and Wales	Ordinary	100.00	
The Malmaison Hotel (Birmingham) Limited	England and Wales	Ordinary	100.00	
The Malmaison Hotel (Newcastle) Limited	England and Wales	Ordinary	100.00	
The Malmaison Hotel (Leeds) Limited	England and Wales	Ordinary	100.00	
Malmaison (Chart Square) Limited	England and Wales	Ordinary	100.00	
Malmaison (Liverpool) Limited	England and Wales	Ordinary	100.00	
Malmaison (Reading) Limited	England and Wales	Ordinary	100.00	
Malmaison (Oxford) Limited	England and Wales	Ordinary	100.00	
Malmaison (Belfast) Limited	England and Wales	Ordinary	100.00	
Malmaison Europe LP Limited	England and Wales	Ordinary	100.00	
Malmaison Europe Sarl	Luxembourg	Ordinary	100.00	
Malmaison Brand Limited	England and Wales	Ordinary	100.00	
MWB Malmaison Brand Limited	Scotland	Ordinary	100.00	
The Waterside Apartments (Princes Dock) Management	England and Wales	Ordinary	100.00	

Malmaison Limited

Notes to the financial statements (continued)

For the year ended 30 June 2014

9 Fixed asset investments

(continued)

During the year, an exercise was carried out to ensure all trading subsidiaries were in a net assets position prior to the Group restructuring. This involved a number of recapitalisations resulting in further shares being issued at a premium in certain subsidiaries. A valuation exercise was subsequently carried out to impair the relating investment balances to their recoverable value.

The entities listed above are direct subsidiaries of the Company. The principal activity of the companies continued to be that of hotels with the exception of Malmaison Europe LP Limited, Malmaison Europe Sarl, Malmaison Brand Limited, MWB Malmaison Brand Limited and The Waterside Apartments (Princes Dock) Management Company Limited all of which are now dormant.

For details of indirect subsidiaries, reference can be made to the direct parent company's accounts.

10 Debtors

Amounts owed by parent and fellow subsidiary undertakings

2014 2013
£ £

485,123,396 399,311,643

Amounts owed to parent and fellow subsidiary undertakings are interest free, unsecured and repayable on demand.

11 Creditors: amounts falling due within one year

2014 2013
£ £

Amounts owed to parent and fellow subsidiary undertakings

476,257,024 475,957,024

Amounts owed by parent and fellow subsidiary undertakings are interest free, unsecured and repayable on demand.

12 Pension and other post-retirement benefit commitments

Defined contribution

Contributions payable by the Company for the year

2014 2013
£ £

7,133 -

13 Share capital

Allotted, called up and fully paid

26,962,100 Ordinary shares of 1p each

2014 2013
£ £

269,621 269,621

Malmaison Limited

Notes to the financial statements (continued)

For the year ended 30 June 2014

14 Statement of movements on profit and loss account

	Notes	Profit and loss account £
Balance at 1 July 2013		(59,636,479)
Profit for the year		68,243,450
Balance at 30 June 2014		<u>8,606,971</u>

15 Reconciliation of movements in shareholders' funds

	30 June 2014 £	30 June 2013 £
Profit/(loss) for the financial year	68,243,450	(13,808,754)
Capital contribution	-	11,226,000
Opening shareholders' funds	<u>(59,366,858)</u>	<u>(56,784,104)</u>
Closing shareholders' funds	<u>8,876,592</u>	<u>(59,366,858)</u>

16 Contingent liabilities

The Company is registered with HM Revenue and Customs as a member of a Group for VAT purposes. As a result, it is jointly and severally liable on a continuing basis for amounts owing by other members of the Group in respect of VAT payable. The estimated liability to the Group at the period end amounted to £1.9m (2013 - £1.9m).

Malmaison Limited

Notes to the financial statements (continued)

For the year ended 30 June 2014

17 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2014	2013
Directors	2	2
Hotel administration	88	-
	<u>90</u>	<u>2</u>

Employment costs

	2014 £	2013 £
Wages and salaries	588,757	-
Social security costs	41,031	-
Other pension costs	7,133	-
	<u>636,921</u>	<u>-</u>

None of the directors received any emoluments from the Company for their services during the period (2013 - £nil).

18 Control

The immediate parent company is Malmaison and Hotel du Vin Property Limited, a company registered in England. The ultimate parent company is Monroe Offshore GP Limited, a company registered in the Cayman Islands. The Company's results are consolidated in the sub-groups headed by Malmaison Hotel du Vin Holdings Limited and MHDV Holdings (UK) Limited, both companies being registered in England.

19 Related party transactions

The Company has taken advantage of the exemption available in accordance with FRS 8 'Related party disclosures' not to disclose transactions entered into between two or more members of a group, as the Company is a wholly owned subsidiary undertaking of the group to which it is party to the transactions.