Waldorf Hotel Investment Limited

Directors' report and financial statements

Registered number 4216905

31 December 2014

Contents

Strategic report

Results and dividends

The profit and loss account is set out on page 9 and shows the profit for the year.

No dividend was declared or paid during the year and the director does not recommend a final dividend *(2013: £Nil)*.

Principal activities, trading review and future developments

The principal activity of the company is the rental of investment property.

Trading review

Turnover, comprising rent from the investment property, amounted to £9,584,000 *(2013: £9,363,000)*. After interest payable, the profit on ordinary activities before tax amounted to £895,000 *(2013: £1,490,000)*. Rent is receivable from the tenant under a rental agreement which includes a base rent with additional opportunity for enhanced rentals linked to the performance of the hotel, specifically EBITDA.

The company is financed by Choicezone Limited, its immediate parent company. The parent's bank loan facility dated 29 October 2013 is secured on the group's property and is repayable in instalments up to October 2028.

The company's investment property was carried at a valuation of £211,000,000 at 31 December 2014 *(2013: £211,000,000)*, as detailed in Note 7.

Future developments

The directors intend to drive the development of the company through performance related elements of the rental income and reduction of the company's interest costs.

Principal risks and uncertainties

As the company is involved in property investment, the principal risk is in respect of the value of the property and changes in the interest rate applicable on the funding of the property. Exposure to interest rates is covered in Financial Instruments below.

The company's liquidity risk and the appropriateness of the going concern assumption are detailed in Note 1.

Strategic report *(continued)*

Financial instruments

Exposure to movements in interest rates is reviewed regularly by the directors. The directors utilise financial instruments to limit the company's exposure to movements in interest rates where in the opinion of the directors the expected benefits of such arrangements exceed the expected costs or at the request of the company's lenders. The current loans provided by Choicezone Limited bears interest at rates agreed annually by both parties.

The company holds or issues financial instruments to finance its operations and enters into contracts to manage risks arising from those operations and its sources of finance in accordance with its accounting policies.

In addition, various financial instruments such as loans and trade creditors arise directly from the company's operations.

Operations are generally financed by retained profits and intercompany loans. Generally acquisitions and working capital requirements are funded principally out of short and longer term banking facilities and retained profits.

The directors do not consider that exchange risk is material, as the majority of the company's transactions are denominated in sterling.

By order of the board

Mrs G Bhatia

Mrs G Bhatia
Director

14 Chester Terrace
London
NW1 4ND
1st April 2015

Directors' report

The directors presents their report together with the audited financial statements for the year ended 31 December 2014.

Directors

The directors of the company during the year and up to the date of signing this report were:

Mrs G Bhatia
Mrs Shelina Jetha
Ms Nimet Esmail

Auditor

The directors have taken all the steps that they ought to have taken to make themself aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Mrs G Bhatia

Mrs G Bhatia
Director

14 Chester Terrace
London
NW1 4ND

1st April 2015

Statement of directors' responsibilities in respect of the Strategic Report and Directors' Report and the financial statements

The director is responsible for preparing the Strategic Report and 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the director must not approve the financial statements unless she is 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 director is 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
1 Forest Gate
Brighton Road
Crawley
RH11 9PT
United Kingdom

Independent auditor's report to the members of Waldorf Hotel Investment Limited

We have audited the financial statements of Waldorf Hotel Investment Limited for the year ended 31 December 2014 set out on pages 9 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities on page 6, the director is 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 company with the Auditing Practices Board's (APB'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 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Waldorf Hotel Investment Limited
(continued)

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.

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.

T.J.

Timothy Rush (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

8th April 2015

Profit and Loss Account
for the year ended 31 December 2014

	Note	2014 £000	2013 £000
Turnover	2	**9,584**	9,363
Operating profit	4	**9,584**	9,363
Interest payable and similar charges	5	**(8,689)**	(7,873)
Profit on ordinary activities before taxation		**895**	1,490
Taxation on profit from ordinary activities	6	**-**	-
Profit on ordinary activities after taxation		**895**	1,490

All amounts relate to continuing activities.

There are no differences between historical cost profit or loss and the profit or loss shown above.

The notes on pages 12 to 17 form part of the financial statements.

Statement of total recognised gains and losses and reconciliation of movements in shareholder's funds
for the year ended 31 December 2014

	2014 £000	2013 £000
Statement of total recognised gains and losses		
Profit for the financial year	895	1,490
Revaluation of investment property	-	11,000
Total recognised gains and losses	895	12,490
Reconciliation of movements in shareholder's funds		
Profit for financial year	895	1,490
Revaluation of investment property	-	11,000
Net additions to shareholder's funds	895	12,490
Opening shareholder's funds	42,634	30,144
Closing shareholders' funds	43,529	42,634

Balance Sheet
at 31 December 2014

	Note	2014 £000	£000	2013 £000	£000
Fixed assets					
Investment property	*7*		**211,000**		211,000
Creditors: amounts falling due within one year	*8*	**(2,370)**		(2,316)	
Net current liabilities			**(2,370)**		(2,316)
Total assets less current liabilities			**208,630**		208,684
Creditors: amounts falling due after more than one year	*9*		**(162,319)**		(163,268)
Provisions for liabilities	*10*		**(2,782)**		(2,782)
			43,529		42,634
Capital and reserves					
Called up share capital	*11*		**6,598**		6,598
Share premium	*12*		**6,000**		6,000
Revaluation reserve	*12*		**60,227**		60,227
Profit and loss account	*12*		**(29,296)**		(30,191)
Shareholders' funds			**43,529**		42,634

These financial statements were approved by the board of directors on 1st April 2015 and were signed on its behalf by:

Mrs G Bhatia

Mrs G Bhatia
Director

Company registered number: 6383849

The notes on pages 12 to 17 form part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments property and are in accordance with applicable accounting standards. The following principal accounting policies have been applied.

Going concern

The accounts are prepared on a going concern basis notwithstanding the company's net current liabilities. The current liabilities are non-cash in nature and furthermore the parent company confirmed that no amounts due on intercompany loans will be called for repayment in less than 12 months from the date of signing of these financial statements unless the company has sufficient funds. The parent company is dependent on the bank facilities available to that company. The parent company's bank facilities are due to expire in October 2028.

Investment properties

Investment properties are included in the balance sheet at their open market value at the balance sheet date.

In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve. No depreciation is provided in respect of investment properties. The Companies Act 2006 required all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The director considers that, because these properties are not held for consumption but for their investment potential, to depreciate them would not give a true and fair view and that it is necessary to adopt SSAP 19 in order to give a true and fair view. If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified, because depreciation is only one of the many factors reflect in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Rental income from investment properties

Turnover, which is attributable to the continuing activity and which arises only in the United Kingdom, represents sales to outside customers at invoiced amounts less value added tax. Turnover represents rental income charged to the hotel operator.

Rental income is credited to the profit and loss account as it accrues. Rents related to EBITDA of the hotel are recognised in accordance with the contract and when the hotel performance is such that the amounts are due.

Cash flow statement

The company is exempt from the preparation of a cash flow statement on the grounds that it is wholly-owned subsidiary of Choicezone Limited, a company registered in England, in whose financial statements a consolidated cash flow statement is prepared.

Taxation

The charge for taxation is based on the profit for the year.

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes *(continued)*

1 Accounting policies (continued)

Taxation (continued)

Deferred tax balances are recognised in respect of all timing differences that have originated but no reversed by the balance sheet date except that:

- Deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- The recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balance are not discounted.

2 Turnover

Turnover is wholly attributable to the principal activity of the company, rental income from investment property, and arises solely within the United Kingdom.

3 Employees

The company had no employees during the year *(2013: £Nil)*.

The director received no remuneration during the year *(2013: £Nil)*.

4 Operating profit and profit on ordinary activities before interest

	2014	2013
	£000	£000
This has been arrived at after charging		
Auditor's remuneration		
Audit	-	-
Tax	-	-

Auditor's remuneration for the year of £9,000 is borne by the parent company, Choicezone Limited.

5 Interest payable and similar charges

	2014	2013
	£000	£000
Parent company loans	**8,689**	7,873

Notes *(continued)*

6 Taxation on profit on ordinary activities

	2014 £000	2013 £000
Current tax	-	-
Taxation on loss on ordinary activities	-	-
Origination and reversal of timing differences	-	-
Total tax	-	-

The tax assessed for the year differs to the loss on ordinary activities at the standard rate of corporation tax in the UK. The differences are explained below.

	2014 £000	2013 £000
Profit on ordinary activities before tax	**895**	1,490
Profit on ordinary activities at the standard rate of corporation tax in the UK of 21.51% *(2013: 23.25%)*	**192**	346
Effects of:		
Capital allowances for year in excess of depreciation	**(97)**	(128)
Losses brought forward	**(95)**	(218)
Current tax charge for the year	-	-

Factors affecting future tax charge

In March 2013, the 2013 Budget announced that the UK corporation tax rate will reduce to 20% by 2015. Reductions from 23% to 21% (effective from 1 April 2014) and to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

Notes *(continued)*

7 Investment property

	2014	2013
	£000	£000
Long leasehold		
At the start of the year	211,000	200,000
Revaluation	-	11,000
At the end of the year	211,000	211,000

At 31 December 2013, the investment property was valued by CBRE Hotels limited at £211,000,000. That valuation was carried out in accordance with the RICS Valuation – Professional Standards, incorporating the International Valuation Standards ('the Red Book', March 2012) issued by the Royal Institution of Chartered Surveyors on the basis of Market Value. At 31 December 2014, management reviewed the valuation in light of market information and their experience of the industry and considered that the value was not materially different from the 2013 valuation.

The historical cost of the investment property to the group is £175,000,000.'

8 Creditors: amounts falling due within one year

	2014	2013
	£000	£000
Accruals and deferred income	2,370	2,316

9 Creditors: amounts falling due after more than one year

	2014	2013
	£000	£000
Loans from parent company	162,319	163,268

Interest is charged at a commercial rate of return. The terms of the loan agreement with the company's parent permits interest to be set at a rate agreed by both parties.

The loan is repayable on demand under the terms of the facility. However, the parent company has provided confirmation that the loan will not be repayable within the next twelve months.

Notes *(continued)*

10 Provisions for liabilities and charges

	Deferred tax £000
At 1 January 2014	2,782
Released in the year	-
At 31 December 2014	2,782

Represented by:	**2014 £000**	2013 £000
Accelerated capital allowances	**3,374**	3,374
Losses carried forward	**(592)**	(592)

11 Share capital – Group and Company

	2014 Number	2013 Number	**2014 £000**	2013 £000
Allotted, called up and fully paid				
Ordinary shares of £1 each	6,598,001	6,598,001	6,598	6,598

Notes *(continued)*

12 Reserves

	Share premium	Revaluation reserve £000	Profit and loss account £000
At 1 January 2014	6,000	60,227	(30,191)
Profit for the year	-	-	895
At 31 December 2014	**6,000**	**60,227**	**(29,296)**

13 Related party transactions - Group

The company has taken advantage of the exemption allowed by Financial Reporting Standard 8, 'Related party disclosures', not to disclose any transactions with members of the group headed by Choicezone Limited on the grounds that 100% of the voting rights in the company are controlled within that group and the company is included in its consolidated financial statements.

14 Ultimate controlling interest

At 31 December 2014, the company's ultimate parent company was Burlington Investment Limited a Guernsey Company, which is the parent of the smallest and largest group of which the company is a member. The company's immediate parent company is Choicezone Limited, the smallest group of which the company is a member. The ultimate controlling party is considered to be Mrs G Bhatia.

Copies of the consolidated financial statements of Choicezone Limited are available from Companies House.