Company No: 04216917

SAHARA GROVENOR HOUSE HOSPITALITY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2013

SAHARA GROVENOR HOUSE HOSPITALITY LIMITED

COMPANY INFORMATION

DIRECTORS	Subrata Roy Sahara Swapna Roy Om Prakash Srivastava Sushanto Roy Sandeep Wadhwa Vijay Singh Dogra
REGISTERED OFFICE	25 Farringdon Street London EC4A 4AB
AUDITOR	Grant Thornton UK LLP Grant Thornton House Melton Street London NW1 2EP
ACCOUNTANTS	Baker Tilly Tax and Accounting Limited 3rd Floor, One London Square Cross Lanes Guildford Surrey GU1 1UN

SAHARA GROVENOR HOUSE HOSPITALITY LIMITED

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SAHARA GROVENOR HOUSE HOSPITALITY LIMITED

DIRECTORS' REPORT

The Directors present their Report and audited Financial Statements of the company (Company No: 04216917) for the year ended 31 December 2013. The company is incorporated as a limited company and domiciled in England, and registered under Companies Act 2006.

DIRECTORS

The following Directors have held office since 1 January 2013:

Subrata Roy Sahara
Swapna Roy
Om Prakash Srivastava
Sushanto Roy
Sandeep Wadhwa
Vijay Singh Dogra

POLICY ON PAYMENT OF SUPPLIERS

Company supplier days based on trade payables at 31 December 2013 were 8 days (2012: 6 days).

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

Qualifying third party indemnity provision for the benefit of one or more directors was in existence during the year.

AUDITOR

The auditor, Grant Thornton UK LLP has indicated its willingness to continue in office.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors, in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

ON BEHALF OF THE BOARD

Sandeep

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Sandeep Wadhwa
Director

Dated: 30 June 2014

SAHARA GROVENOR HOUSE HOSPITALITY LIMITED

STRATEGIC REPORT

The Directors present their Strategic Report of the company (Company No: 04216917) for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the company is property investment. The investment property comprises the company's long leasehold interest in the Grosvenor House Hotel, Park Lane, London.

The Directors consider the principal place of business to be 42 Regal House, Lensbury Avenue, London, SW6 2GZ.

BUSINESS REVIEW

The company's financial performance is presented in the Statement of Comprehensive Income on page 7. The profit for the year attributable to the owners of the company was £14,385,799 (2012: £26,853,468). At the end of the year, the Statement of Financial Position showed total assets of £564,254,643 (2012: £542,725,546) and equity of £71,956,134 (2012: £57,570,335).

No dividends were paid during the year and the Directors do not recommend a dividend in respect of 2013 (2012: £Nil).

Rent receivable for the period amounted to £26,580,200 (2012: £26,198,204).

In December 2013, a valuation of the investment property was undertaken. The property was valued on an open market basis at £521,000,000 by an independent firm of professional valuers. The property was previously valued at £508,000,000. The Directors have chosen to reflect the increase in fair value of the property in the financial statements for the year under review as they believe the valuation of the property carried out during the year provides the best approximation of fair value at the balance sheet date.

Subsequent to the year end, related parties to the company, Sahara Plaza LLC and Sahara Dreams LLC, breached the Debt Service Cover and Debt Yield Net-Off Debt Service Reserve Amount covenants in respect of their borrowings from Bank of China. This has constituted an event of default in respect of these companies' borrowings. As a result of the cross default and cross-collateralisation arrangements between the Company and these related parties, an event of default has also been deemed to have occurred in respect of the Company's own borrowings from Bank of China.

Bank of China has demanded that the financial covenant defaults be cured by depositing $24,169,249 into the Plaza/Dreams Debt Service Reserve Account.

As at the date of approval of these financial statements negotiations are continuing with Bank of China and the directors are confident that arrangements to resolve the events of default should result in the Company and its related parties no longer being in breach of the covenants.

Subject to the above matters, which may have an impact on the company's ability to continue as a going concern, the Directors are satisfied with the company's performance in the period and with the financial position at the year end.

KEY PERFORMANCE INDICATORS

The board of directors reviews and monitors the following key performance indicators:

	2013 £	2012 £
Investment property valuation	521,000,000	508,000,000
Rental income	26,580,200	26,198,204

SAHARA GROVENOR HOUSE HOSPITALITY LIMITED

STRATEGIC REPORT

KEY PERFORMANCE INDICATORS (Continued)

	2013 £	2012 £
Rental yield	5.1%	5.2%
Ratio of bank loan to property value	56%	58%

The directors consider that in view of current market conditions performance against these areas was acceptable.

FUTURE DEVELOPMENTS

The Directors remain alert to good business opportunities within their sector and will pursue any appropriate opportunities if it seems worthwhile to do so.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Directors monitor potential business risk areas and address the risk wherever possible.

The Directors have assessed the key risks to the company and consider that it is exposed to interest rate risk, tenant credit risk, cash flow risk and market value risk, summarised as follows:

Interest rate risk

The company is party to a variable rate loan and is therefore exposed to interest rate changes. The risk is mitigated by a review of interest rate expectations. The Directors would consider the implementation of hedging measures where beneficial, however, as at 31 December 2013 no such measures were considered necessary. The company does not use any other financial instruments to mitigate its risk.

Tenant credit risk

The company is exposed to tenant credit risk, that is the risk of their lessee not making agreed rental payments. The risk has been mitigated by the company obtaining, by way of the property lease agreement, a guarantee in respect of rental payments from the lessee's controlling party, Marriott International Inc.

Cash flow risk

The company is at risk of not making its interest payments or other loan repayments if it is unable to collect receivables when due. The company minimises the cash flow risk of non-performance on its loan agreements and other commitments by minimising its tenant credit risk and through the use of specialist managing agents to ensure collection of rent takes place on time.

Market value risk

The company is exposed to the risk of a drop in the market value of its investment property. The company's investment property value is determined by market forces outside of the company's control. The company is not exposed to loan default implications resulting from a fall in property values as the financing arrangements do not include any subsequent loan to value covenants other than on initial arrangement, which were satisfied in order to complete the initial loan agreement.

Further details of the company's risk and capital management policies can be found in note 15.

ON BEHALF OF THE BOARD

Sandeep

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Sandeep Wadhwa
Director

Dated: 30 June 2014

SAHARA GROVENOR HOUSE HOSPITALITY LIMITED

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The Directors are responsible for preparing the Report of the Directors, the Strategic 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 of the company in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The Financial Statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the company. The Companies Act 2006 provides in relation to such Financial Statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

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 the Financial Statements, the Directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether they have been prepared in accordance with IFRS as adopted by the EU;

d. 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 SAHARA GROVENOR HOUSE HOSPITALITY LIMITED

We have audited the financial statements of Sahara Grovenor House Hospitality Limited for the year ended 31 December 2013 which comprise the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 (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 http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-andguidance/ Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 made in notes 1 and 13 to the financial statements concerning the company's ability to continue as a going concern.

The company has commenced discussions with its bankers to resolve the events of default.

These conditions, along with other matters explained in notes 1 and 13, indicate the existence of a material uncertainty 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.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report and the Strategic 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.

Grant Thornton UK LLP

Simon Bevan
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
1 July 2014

SAHARA GROVENOR HOUSE HOSPITALITY LIMITED

STATEMENT OF FINANCIAL POSITION
as at 31 December 2013

Company No: 04216917

	Note	2013 £	2012 £
ASSETS			
Non-current Assets			
Investment property	8	521,000,000	508,000,000
Other financial assets	9	25,000,000	25,000,000
		546,000,000	533,000,000
Current Assets			
Trade and other receivables	10	533,799	434,330
Cash and cash equivalents		17,720,844	9,291,216
		18,254,643	9,725,546
TOTAL ASSETS		564,254,643	542,725,546
EQUITY AND LIABILITIES			
Equity			
Share capital	16	770,001	770,001
Retained earnings		71,186,133	56,800,334
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		71,956,134	57,570,335
Non-current liabilities			
Long-term borrowings	13	444,073,305	449,468,418
Deferred tax payable	14	7,714,042	9,547,184
Total Non-current liabilities		451,787,347	459,015,602
Current liabilities			
Trade and other payables	11	35,123,777	20,748,793
Short-term borrowings	12	5,387,385	5,390,816
Total current liabilities		40,511,162	26,139,609
TOTAL LIABILITIES		492,298,509	485,155,211
TOTAL EQUITY AND LIABILITIES		564,254,643	542,725,546

The Financial Statements on pages 6 to 27 were approved by the Board of Directors and authorised for issue on 30 June 2014 and are signed on its behalf by:

Sandeep

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Sandeep Wadhwa
Director

SAHARA GROVENOR HOUSE HOSPITALITY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2013

	Notes	2013 £	2012 £
Revenue	3	27,190,605	26,865,643
Administrative expenses		(3,172,655)	(3,418,843)
Increase in fair value of investment property	8	13,000,000	28,040,440
Profit from operations		37,017,950	51,487,240
Finance costs	4	(24,465,293)	(25,097,538)
Profit before taxation	5	12,552,657	26,389,702
Income tax credit	7	(1,833,142)	(463,766)
Profit and total comprehensive income for the year attributable to the owners of the company		14,385,799	26,853,468

The profit for the year arises from the company's continuing operations in the United Kingdom.

SAHARA GROVENOR HOUSE HOSPITALITY LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013

	Attributable to the owners of the company		
	Share Capital	**Retained Earnings**	**Total**
	£	**£**	**£**
Balance at 29 December 2011	770,001	29,946,866	30,716,867
Changes in equity for 2012			
Profit and total comprehensive income for the year	-	26,853,468	26,853,468
Balance at 31 December 2012	770,001	56,800,334	57,570,335
Changes in equity for 2013			
Profit and total comprehensive income for the year	-	14,385,799	14,385,799
Balance at 31 December 2013	770,001	71,186,133	71,956,134

Share Capital
Share capital represents the par value of ordinary shares issued by the company.

Retained Earnings
Retained earnings represent the cumulative profit and loss net of distributions to owners.

SAHARA GROVENOR HOUSE HOSPITALITY LIMITED

STATEMENT OF CASH FLOWS
for the year ended 31 December 2013

	2013 £	2012 £
Cash flows from operating activities		
Profit for the year before tax	12,552,657	26,389,702
Finance costs	24,465,293	25,097,538
Increase in fair value of investment property	(13,000,000)	(28,040,440)
Operating cash flows before movements in working capital	24,017,950	23,446,800
(Increase)/decrease in trade and other receivables	(99,499)	1,082,175
Decrease in trade and other payables	(496,430)	(237,881)
Cash generated from operations	23,422,021	24,291,094
Income taxes paid	-	(17,800)
Interest paid	(8,892,393)	(17,244,249)
Net cash generated from operating activities	14,529,628	7,029,045
Cash flows from investing activities		
Proceeds from refund of investment property cost	-	40,440
Net cash flow from investing activities	-	40,440
Cash flows from financing activities		
Repayment of bank borrowings	(6,100,000)	(6,100,000)
Net cash flow used in financing activities	(6,100,000)	(6,100,000)
Net increase in cash and cash equivalents	8,429,628	969,485
Cash and cash equivalents at beginning of the year	9,291,216	8,321,731
Cash and cash equivalents at end of the year	17,720,844	9,291,216

Cash and cash equivalents
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand and other short term, highly liquid investments with a maturity of less than three months. This is consistent with the presentation in the Statement of Financial Position.

1. PRINCIPAL ACCOUNTING POLICIES

Basis of Preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as adopted by the EU ("IFRS") and the requirements of the Companies Act 2006 applicable to companies reporting under IFRS.

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of the investment property.

The company's accounting reference date is 29 December. The financial statements have been prepared to 31 December 2013 in accordance with Section 390(2) of the Companies Act 2006 (2012: 31 December 2012).

The preparation of financial statements in conformity with the IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving judgement or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Adoption of new and revised standards and interpretations

New standards and amendments to published standards effective for the year ended 31 December 2013

The following standards have been adopted during the year:

- IFRS 13 Fair Value Measurement

There were no new standards or amendments to standards during the year have had any material impact on the financial position and performance of the Company.

Standards adopted early by the Company

The Company has not adopted any standards or interpretations early in either the current or the preceding financial year.

Adoption of standards and interpretations

As at the date of authorisation of these financial statements, there were standards and interpretations in issue but that are not yet effective and have not been applied in these financial statements, as listed below:

- IFRS 9 Financial Instruments (no mandatory effective date)^^
- IFRS 10 Consolidated Financial Statements (IASB effective date 1 January 2013**)
- IFRS 11 Joint Arrangements (IASB effective date 1 January 2013**)
- IFRS 12 Disclosure of Interests in Other Entities (IASB effective date 1 January 2013**)
- IFRS 14 Regulatory Deferral Accounts (effective 1 January 2016)^^
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017)^^
- IAS 27 (Revised), Separate Financial Statements (IASB effective date 1 January 2013**)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (IASB effective date 1 January 2013**)
- Transition Guidance - Amendments to IFRS 10, IFRS 11 and IFRS 12 (IASB effective date 1 January 2013**)
- Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27 (effective 1 January 2014)
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

2014)

- IFRIC Interpretation 21 Levies (effective 1 January 2014)^^
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (effective 1 January 2014)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective 1 January 2014)
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) (IASB effective date 1 July 2014)^^
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (IASB effective date 1 January 2016)^^
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (IASB effective date 1 January 2016)^^
- Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 July 2014)^^
- Annual Improvements to IFRSs 2011-2013 Cycle (effective 1 July 2014)^^

** EU mandatory effective date is 1 January 2014 not 2013. Hence, where an entity follows the EU effective date, it will include these standards in its list of standards in issue not yet effective in its 2013 accounts.

^^ Not adopted by the EU (as at 14 May 2014).

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the Financial Statements of the company when the relevant standards and interpretations come into effect although there may be a requirement for additional disclosures.

Going Concern

The Directors have reviewed the expected cash flows of the company for a period of at least twelve months from the date of approval of these financial statements and consider that there is sufficient working capital for the company to meet its external liabilities as they fall due for the foreseeable future. In addition, the parent company has confirmed it will not seek repayment of either the suspended £160m Eurobond loan note nor of the interest accruing on it, and it will continue to roll up the interest until such a time as the company's cash position allows the payments to be made. In view of this the directors consider it appropriate for the financial statements to be prepared on a going concern basis.

Subsequent to the year end, related parties to the company, Sahara Plaza LLC and Sahara Dreams LLC, breached the Debt Service Cover and Debt Yield Net-Off Debt Service Reserve Amount covenants in respect of their borrowings from Bank of China. This has constituted an event of default in respect of these companies' borrowings. As a result of the cross default and cross-collateralisation arrangements between the Company and these related parties, an event of default has also been deemed to have occurred in respect of the Company's own borrowings from Bank of China.

Bank of China has demanded that the financial covenant defaults be cured by depositing $24,169,249 into the Plaza/Dreams Debt Service Reserve Account.

As at the date of approval of these financial statements negotiations are continuing with Bank of China and the directors are confident that arrangements to resolve the events of default should result in the Company and its related parties no longer being in breach of the covenants.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Going Concern (Continued)

The financial statements have been prepared on the going concern basis which assumes that the lender will not withdraw its loan facilities as a result of the events of default that have arisen. The principal direct and indirect effects of a demand to repay the borrowings by the lender are that:

i. the Company's own borrowings, and its cross collateralised borrowings to the lender, as set out in note 13, would become immediately repayable; and

ii. if not repaid when due, the lender could exercise its share pledge over the Company and take control, or could exercise its security direct over the Company's investment property. The lender may seek to sell the company or dispose of assets separately or together and at a time of its own choosing. This process may not represent an orderly realisation in the normal course of business and the investment property could be realised at a value of less than the carrying values in these financial statements.

Foreign Currency Translation

The functional and presentational currency of Sahara Grovenor House Hospitality Limited is Sterling. The company does not have any transactions in currencies other than its functional currency.

Revenue Recognition

Rental income from the investment property represents amounts payable by tenants under operating leases. Such amounts are credited to the Income Statement on a straight line basis over the term of the lease agreement. Rental income received in advance is deferred to the future periods to which it relates.

Other income included within revenue represents insurance commissions receivable and lease premiums payable by tenants upon surrender of a lease. Insurance commissions are recognised as income on an accruals basis in the Income Statement based upon the effective commencement or renewal dates of the related policies. Any timing differences arising at the reporting date are recognised as either deferred or accrued income in the Statement of Financial Position as applicable.

Finance Income and Finance Costs

Finance income represents interest earned on financial assets that are classified as loans and receivables and finance costs represent interest expense incurred on financial liabilities held at amortised cost. These are determined using the effective interest rate method, which is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

The Company as a lessor - Rental income from assets leased under operating leases is recognised on a straight-line basis over the term of the relevant lease in the Income Statement. Rent free periods and other incentives given to tenants at the inception of the lease are spread on a straight-line basis over the relevant lease term and also recognised in the Income Statement.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Investment Property

Investment property, which is property held either to earn rental income or for capital appreciation or both, is stated at its fair value at the reporting date. The method of establishing fair value is stated in note 8. Gains or losses arising from changes in the fair value of investment property are included in the Statement of Comprehensive Income for the period in which they arise.

Gains or losses arising from disposal of investment property, being the difference between the net disposal proceeds and carrying value, are included in profit or loss in the year of the disposal.

Financial instruments

Financial assets and liabilities are recognised on the company's Statement of Financial Position when the company has become party to the contractual provisions of the instrument.

Financial assets

Trade and other receivables
Trade and other receivables and loans are classified as loans and receivables and are initially recognised at fair value plus transaction costs. They are subsequently measured at their amortised cost using the effective interest rate method less any provision for impairment. A provision for impairment is made where there is objective evidence (including customers with financial difficulties or in default on payments) that amounts will not be recovered in accordance with the original terms of the agreement. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the Statement of Comprehensive Income.

Cash and Cash equivalents
Cash and cash equivalents comprise cash at bank and other short-term investments held by the company with maturities of less than three months. These are highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities.

Trade and other payables
Trade and other payables and borrowings are initially recognised at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method, with all movements being recognised in the Statement of Comprehensive Income. Cost approximates to fair value.

Equity
Equity instruments issued by the company are recorded at fair value on initial recognition net of transaction costs.

Segmental reporting

The directors consider there to be only one operating segment, being the rental of the company's long leasehold interest in the Grosvenor House Hotel, Park Lane, London, and accordingly no separate segmental analysis is disclosed.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Statement of Financial Position liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probably that taxable profits will be available in the future against which deductable temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to Other Comprehensive Income, in which case the deferred tax is also recognised in Other Comprehensive Income.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax relates to income tax levied by the same tax authorities on either:

- the same taxable entity; or
- different taxable entities which intend to settle current tax assets and liabilities on a net basis or to realise and settle them simultaneously in each future period when the significant deferred tax assets and liabilities are expected to be realised or settled.

2. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience, internal controls, advice from external experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting judgements will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Investment property

The key accounting estimate in preparing these financial statements relates to the carrying value of the investment property which is stated at fair value. The company uses external professional valuers to determine the fair value. However, the valuation of the company's investment property is inherently subjective, as it is made on the basis of valuation assumptions which may in future not prove to be accurate. Details of the valuation of the investment property are set out in note 8.

2. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT (Continued)

Deferred taxation

Deferred tax liabilities are assessed on the basis of assumptions regarding the future, the likelihood that assets will be realised and liabilities will be settled, and estimates as to the timing of those future events and as to the future tax rates that will be applicable.

3. REVENUE

	2013 £	2012 £
Rental income	26,580,200	26,198,204
Other property related income	610,405	667,439
	27,190,605	26,865,643

All rental income is generated from the investment property in the United Kingdom. Revenues of £26,580,200 (2012: £26,198,204) are derived from a single external tenant.

4. FINANCE COSTS

	2013 £	2012 £
Bank charges	1,859	1.247
Interest payable on Eurobond loan note	14,871,444	14,089,602
Interest payable on bank loan	8,872,536	10,277,947
Amortisation of loan arrangement fees	719,454	728,742
	24,465,293	25,097,538

5. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging:

	2013 £	2012 £
Amounts payable to Grant Thornton UK LLP for audit services	27,661	23,000
Rentals under operating leases	1,608,204	1,490,084

6. STAFF COSTS

The Directors received no emoluments for their services as Directors of the company during the current year (2012: £Nil). The company has no employees (2012: none).

7. TAXATION

	2013 £	2012 £
Current taxation		
Tax charge for the year	-	-
Adjustments in respect of prior periods	-	(17,800)
Current tax credit for the year	-	(17,800)
Deferred taxation (note 14)		
Origination and reversal of temporary differences	(8,311)	737,833
Adjustments in respect of prior periods	(666,479)	-
Effect of changes in rates and laws	(1,158,352)	(1,183,799)
Deferred tax credit for the year	(1,833,142)	(445,966)
Total income tax credit	(1,833,142)	(463,766)

The actual tax charge differs from the expected tax charge computed by applying the standard UK corporation tax rate of 23% (2012: 24%) as follows:

	2013 £	2012 £
Profit before taxation	12,552,657	26,389,702
Profit before taxation, multiplied by standard rate of UK corporation tax of 23% (2012: 24%)	2,887,111	6,333,528
Effects of:		
Non-deductible items	172	9,857
Effects of changes in rates and laws	(1,144,561)	(1,183,799)
Adjustment in respect of prior periods	(679,031)	(17,800)
Revaluation of investment properties	(2,990,000)	(6,729,706)
Transfer pricing adjustments	76,998	385,461
Tax losses not recognised in deferred tax	-	719,075
Group relief surrendered	16,169	19,618
	(4,720,253)	(6,797,294)
Total income tax credit	(1,833,142)	(463,766)

8. INVESTMENT PROPERTY

	2013	2012
	£	£
Fair value:		
Opening balance for the year	508,000,000	480,000,000
Refunded refurbishment costs	-	(40,440)
Fair value adjustment	13,000,000	28,040,440
Closing balance for the year	521,000,000	508,000,000

The investment property comprises a long leasehold over the Grosvenor House Hotel, Park Lane, London, expiring in 2104.

The fair value of the investment property at 31 December 2013 has been arrived at using a professional valuation carried out by CBRE Hotels Limited, an independent firm of professional valuers, as at 20 December 2013.

The valuation method represents a level 2 valuation, incuding both direct and indirect observable inputs for the investment property.

The valuation is on an open market basis and was arrived at by reference to market evidence and discounted cashflows. The valuation projects income over 38 years, discounted at rates adopted according to risk profiles. Other valuation considerations applied in the valuation include the application of Bank of England base rate, UK government gilt rates and London West End prime office yields.

The property rental income earned by the Company from its investment property amounted to £26,580,200 (2012: £26,198,204).

The lessee, Marriott International Inc., bears the contractual obligation to maintain the investment property. Neither the company nor the lessee has a contractual obligation to purchase or develop the property.

9. OTHER FINANCIAL ASSETS

	2013	2012
	£	£
Restricted bank deposit	25,000,000	25,000,000

As part of the terms of the loan (disclosed in note 13) from the Bank of China, an amount of £25,000,000 must be kept on restricted deposit for the full term of the 7 year loan as security against the amount borrowed. This has been classed as an Other Financial Asset in the statement of financial position in accordance with IAS 32. In accordance with the contractual terms of the Bank of China loan, the deposit does not attract any interest.

10. TRADE AND OTHER RECEIVABLES

	2013 £	2012 £
Trade receivables	16,842	31,124
Prepayments	499,157	385,406
Other receivables	17,800	17,800
	533,799	434,300

The directors consider that the carrying amount of trade and other receivables approximates to their fair value. All receivables are denominated in Sterling.

At 31 December 2013 no trade receivables were past due or impaired (2012: £Nil).

11. TRADE AND OTHER PAYABLES

	2013 £	2012 £
Trade payables	70,791	59,789
Related party payables	25,213,800	11,001,562
Accruals and deferred income	8,732,234	8,578,993
VAT payable	1,106,952	1,108,449
	35,123,777	20,748,793

The directors consider that the carry amount of trade and other payables approximates to their fair value. All payables are denominated in Sterling.

12. SHORT-TERM BORROWINGS

	2013 £	2012 £
Bank loan (see note 13)	5,387,385	5,390,816
	5,387,385	5,390,816

13. LONG-TERM BORROWINGS

	2013 £	2012 £
Eurobond loan note	160,104,995	160,096,139
Bank loan	283,968,310	289,372,279
	444,073,305	449,468,418

The Eurobond loan note is held by Aamby Valley Mauritius Limited, the parent company, and was issued on 13 December 2011. The loan note is quoted on the Channel Islands Stock Exchange. The loan bears interest at 8.75% per annum. The bank loan was initially recognised at fair value, net of transaction costs of £65,677. The loan is subsequently measured at amortised cost and finance charges are recognised in the Statement of Comprehensive Income over the term of the loan. Interest accrues daily and is payable on 31 December each year in accordance with the loan note agreements, to the extent that interest is unpaid at 31 December, interest compounds as if the unpaid amounts had been capitalised into the loan. The loan note is redeemable in full on 30 December 2025.

The Eurobond loan note is unsecured.

The Eurobond loan was suspended from trading from the Channel Island stock exchange on 7 May 2014.

The bank loan is from Bank of China and is a floating rate loan, maturing quarterly. The rate fluctuates with 3 month LIBOR + 2.5% margin. Interest is payable quarterly in arrears on the 20 January, 20 April, 20 July and 20 October every year. The loan is for a period of 7 years.

The bank loan was initially recognised at fair value, net of transaction costs of £5,046,753. The loan is subsequently measured at amortised cost, and finance charges are recognised in the Statement of Comprehensive Income over the term of the loan. To fulfil the condition of the loan, the company is holding a deposit of £25,000,000 in a non-interest bearing account (see note 9).

The bank loan is secured with fixed and floating charges over the assets of the company.

The Bank of China loan facility arrangement dated 20 October 2011 (the "GHH Loan") was amended and restated on 26 November 2012 pursuant to a supplemental agreement between the company and Bank of China. The amendments were made in conjunction with Sahara's acquisition of 70% equity interests in The Plaza, NY (held through Sahara Plaza LLC) and 85% equity interest in the Dreams Downtown, NY (held through Sahara Dreams LLC) (together, the "Plaza/Dreams Acquisition") and the financing thereof.

The Plaza/Dreams Acquisition was funded in part through a term loan between Sahara Plaza LLC and Sahara Dreams LLC (as joint and several Borrower) and Bank of China Limited, New York Branch dated 26 November 2012 (the "Plaza/Dreams Loan").

The two financings are cross-collateralised as follows:

(a) the applicable Sahara entities have granted second-ranking security in favour of Bank of China (under the Plaza/Dreams Loan) over the assets that secure the GHH Loan as part of the security package for the Plaza/Dreams Loan; and

(b) the applicable Sahara entities have granted security in favour of Bank of China (under the GHH Loan) over their respective 70% and 85% equity interests in Sahara Plaza LLC and Sahara Dreams LLC as new additional security for the GHH Loan.

13. LONG-TERM BORROWINGS (Continued)

As a result, the Plaza/Dreams Loan and the GHH Loan are subject to the following cross default and cross-collateralisation arrangements:

(i) GHH Loan

In the event of a default under the GHH Loan (and subject to certain conditions and caveats) Bank of China is required to enforce its security over the assets that secure the GHH Loan before it is entitled to enforce its security over Sahara's membership interests in Sahara Plaza LLC and Sahara Dreams LLC. Only if a balance remains owing to Bank of China in respect of the GHH Loan after the enforcement of its GHH-related security will Bank of China be entitled to enforce its security over Sahara's interests in Sahara Plaza LLC and Sahara Dreams LLC.

ii) Plaza/Dreams Loan

The occurrence of an event of default under the Plaza/Dreams Loan constitutes a cross default under the GHH Loan which entitles Bank of China to enforce the security granted in respect of both the Plaza/Dreams Loan and the GHH Loan.

Subsequent to the year end, related parties to the company, Sahara Plaza LLC and Sahara Dreams LLC, breached the Debt Service Cover and Debt Yield Net-Off Debt Service Reserve Amount covenants in respect of their borrowings from Bank of China. This has constituted an event of default in respect of these companies' borrowings. As a result of the cross default and cross-collateralisation arrangements between the Company and these related parties, an event of default has also been deemed to have occurred in respect of the Company's own borrowings from Bank of China.

Bank of China has demanded that the financial covenant defaults be cured by depositing $24,169,249 into the Plaza/Dreams Debt Service Reserve Account.

As at the date of approval of these financial statements negotiations are continuing with Bank of China and the directors are confident that arrangements to resolve the events of default should result in the Company and its related parties no longer being in breach of the covenants.

14. DEFERRED TAX PAYABLE

Provision for deferred taxation has been made as follows:

	Accumulated losses £	Accelerated tax depreciation £	Total £
At 29 December 2011	-	9,993,150	9,993,150
Credit to Statement of Comprehensive Income	-	(445,966)	(445,966)
At 31 December 2012	-	9,547,184	9,547,184
Credit to Statement of Comprehensive Income	(1,076,723)	(756,419)	(1,833,142)
At 31 December 2013	(1,076,723)	8,790,765	7,714,042

15. FINANCIAL INSTRUMENTS

The totals for each category of financial instrument, measured in accordance with IAS 39 as detailed in the accounting policies, are as follows:

	Loans and receivables	Non-financial assets	Total
	£	£	£
At 31 December 2013			
Non-current assets			
Other financial assets (note 9)	25,000,000	-	25,000,000
Current assets			
Trade and other receivables	16,842	516,957	533,799
Cash and cash equivalents	17,720,844	-	17,720,844
	17,737,686	516,957	18,254,643
	42,737,686	516,957	43,254,643

	Financial liabilities at amortised cost	Non-financial liabilities	Total
	£	£	£
At 31 December 2013			
Current financial liabilities			
Trade and other payables	26,984,371	8,139,406	35,123,777
Short-term borrowings	5,387,385	-	5,387,385
	32,371,756	8,139,406	40,511,162
Non-current financial liabilities			
Long-term borrowings	444,073,305	-	444,073,305
Deferred tax payable	-	7,714,042	7,714,042
	444,073,305	7,714,042	451,787,347
	476,445,061	15,853,448	492,298,509

15. FINANCIAL INSTRUMENTS (Continued)

	Loans and receivables	Non-financial assets	Total
	£	£	£
At 31 December 2012			
Non-current assets			
Other financial assets (note 9)	25,000,000	-	25,000,000
Current assets			
Trade and other receivables	31,124	403,206	434,330
Cash and cash equivalents	9,291,216	-	9,291,216
	9,322,340	403,206	9,725,546
	34,322,340	403,206	34,725,546

	Financial liabilities at amortised cost	Non-financial liabilities	Total
	£	£	£
At 31 December 2012			
Trade and other payables	12,797,887	7,950,906	20,748,793
Short-term borrowings	5,390,816	-	5,390,816
	18,188,703	7,950,906	26,139,609
Non-current financial liabilities			
Long-term borrowings	449,468,418	-	449,468,418
Deferred tax payable	-	9,547,184	9,547,184
	449,468,418	9,547,184	459,015,602
	467,657,121	17,498,090	485,155,211

The company holds no financial instruments carried at fair value. The Directors consider the book value of all financial instruments to equate to their fair value.

Financial risk management policies

The Directors monitor the company's financial risk management policies and exposure and approve financial transactions. The Directors' overall risk management strategy seeks to assist the company in meeting its financial targets whilst minimising potential adverse effects on financial performance.

Specific financial risk exposures and management

The company's activities expose it to a variety of financial risks, including interest rate risk, liquidity risk and credit risk. Details of these risks and the company's policies for managing these risks are included below:

15. FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

The company's interest rate risk exposure arises from its borrowing from Bank of China, which is charged at a variable rate of interest.

The company manages interest rate risk by monitoring the consistency in the interest rate profile of its assets and liabilities, and limiting any re-pricing mismatches.

The following tables indicate financial assets and liabilities that are exposed to interest rate risk together with the corresponding applicable interest rates at 31 December 2013:

	2013 £	2012 £
Maturity date or contractual repricing date	Total	Total
Exposed to cash flow interest rate risk:		
Loan from Bank of China (note 12 & 13)	289,355,695	294,763,095

	2013	2012
Interest rate	% Interest rate	% Interest rate
Loan from Bank of China	3.02%	3.01%

An increase or decrease in interest rates of 1%, would result in an increase or decrease of approximately £2,930,000 to the interest charge for the year.

Credit risk

The objective of credit risk management is to enable the company to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with the approved appetite for the risk that tenants will be unable to meet their obligations to the company.

Tenant credit risk is mitigated as rental payments are due on the first day of each rental quarter, and the tenant's rental commitments are supported by a guarantee provided by its controlling party, Marriott International Inc. The property lease can be terminated if rent becomes more than 14 days overdue, or if the guarantor fails to provide the agreed rental guarantee.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The company only deposits cash with well-established financial institutions of high quality credit standing.

15. FINANCIAL INSTRUMENTS (Continued)

Credit risk (Continued)

The company has deposited £25,000,000 cash as security for its borrowings with Bank of China (see note 9).

The following table analyses the credit exposure of the company by type of asset:

Loans and receivables	2013 £	2012 £
Trade and other receivables	16,842	31,124
Other financial assets	25,000,000	25,000,000
Cash and cash equivalents	17,720,844	9,291,216
	42,737,686	34,322,340

Liquidity risk

Liquidity risk is the risk that the company is unable to meet its financial obligations as they fall due. The company seeks to minimise liquidity risk on refinancing by borrowing for as long as possible and at the lowest acceptable cost. Efficient cash management, strict credit control and the company's low cost base minimise liquidity risk and ensure that funds are available to meet commitments as they fall due.

There were no derivative financial liabilities held by the company.

The table below analyses the company's non-derivative financial liabilities on a contractual gross undiscounted cash flow basis into their relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date.

	Less than 1 year £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £
At 31 December 2013				
Loan from Bank of China	5,387,385	5,387,385	278,580,925	-
Eurobond loan note	-	-	-	160,104,995
Trade and other payables	35,123,777	-	-	-
At 31 December 2012				
Loan from Bank of China	5,390,816	5,390,816	16,172,449	267,809,014
Eurobond loan note	-	-	-	160,096,139
Trade and other payables	20,748,793	-	-	-

15. FINANCIAL INSTRUMENTS (Continued)

Capital management

The company is a member of The Sahara India Pariwar Group and capital is managed at group level. No changes were made to the group's capital management policies or processes during the year ended 31 December 2013. At a company level, capital is monitored using a gearing ratio which is calculated as net debt (bank borrowings and loan notes less cash and cash equivalents) over capital (equity attributable to owners of the company) plus net debt.

	2013 £	2012 £
Eurobond loan note	160,104,995	160,096,139
Bank borrowings	289,355,695	294,763,095
Cash and cash equivalents	(17,720,844)	(9,291,216)
Net debt	431,739,846	445,568,018
Equity	71,956,134	57,570,335
Equity plus net debt	503,695,980	503,138,353
Gearing ratio	85.7%	88.6%

The Directors consider that the company's gearing ratio at 31 December 2013 was acceptable.

16. SHARE CAPITAL

	2013 £	2012 £
Issued and fully paid:		
770,001 ordinary shares of £1 each	770,001	770,001

17. OPERATING LEASE COMMITMENTS

Company as a lessee

The company holds the long leasehold on its investment property, Grosvenor House Hotel, Park Lane, London, which expires in 2104, and on which the company pays head rent of £30,000 per annum.

The company has entered into property lease rental agreements with related parties under the common ownership of Aamby Valley Mauritius Limited.

The future aggregate minimum lease payments under these non-cancellable operating leases are as follows:

	2013 £	2012 £
Less than one year	1,608,200	1,512,000
Between one and five years	6,432,800	7,560,000
After five years	5,610,200	5,514,400
	13,651,200	14,586,400

Company as a lessor

The company has contracted with a tenant, under a non-cancellable operating lease arrangement for a term of 30 years, expiring on 30 January 2034.

Rental income earned in the year under this agreement amounted to £26,580,200 (2012: £26,198,204).

Rent is subject to annual inflationary increases, subject to the achievement of certain performance criteria by the tenant.

18. CONTROL

The company's immediate parent company is Aamby Valley Mauritius Limited, a company incorporated and registered in Mauritius. The company's ultimate holding company is Aamby Valley Limited, a company incorporated and registered in India. It is part of the Sahara India Pariwar Group, which is ultimately controlled by members of the Roy family.

19. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties, which are related by virtue of being under common ownership by Aamby Valley Mauritius Limited, the immediate parent company:

(a) *Purchases of goods and services*	2013 £	2012 £
Purchases of goods and services from related parties	2,184,204	2,327,860

(b) *Amounts owed to related parties*	2013 £	2012 £
Eurobond loan note (parent undertaking)	160,104,995	160,096,139
Amounts owed to parent undertaking	24,638,400	9,954,254
Amounts owed to other related parties arising from the purchase of goods and services:		
Aamby Hospitality Limited	-	52,650
Aamby Hospitality Services (UK) Limited	575,400	254,958
Sahara Ambleside Limited	-	295,100
Sahara Hospitality Support Services Limited	-	101,400
Sahara Riverpark Limited	-	295,100
Sahara Wharfside Limited	-	48,100
	185,318,795	171,097,701

Interest of £14,871,444 (2012: £14,089,602) was charged on transactions with the parent company during the year, and was included within amounts owed to parent undertaking.

Other than in respect of the Eurobond loan note arrangements, the related party payables bear no interest and are unsecured. No guarantees have been given in respect of these amounts.