

MREF Capitalco Limited

**Directors' report and financial statements
for the year ended 31 December 2014**

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MREF Capitalco Limited

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MREF Capitalco Limited

Company Information

Directors

Marc Gilbard
Nicholas Edwards
Charles Ferguson-Davie
Heiko Figge
Steven Hall

Registered number

05972998

Registered office

Nightingale House
65 Curzon Street
London
W1J 8PE

Independent auditors

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

Bankers

Lloyds Banking Group
London Chief Office
PO Box 54873
London
SW1Y 5WX

MREF Capitalco Limited

Directors' report for the year ended 31 December 2014

The directors present their report and the audited financial statements of MREF Capitalco Limited (the "Company") for the year ended 31 December 2014.

Principal activities

The Company did not trade during the year.

Results

The Company has not traded during the year or the preceding financial year. During these years, the Company received no income and incurred no expenditure and therefore made neither profit or loss.

Post year end on 6 February 2015 the ultimate controlling parties Moorfield Real Estate Fund A Limited Partnership and Moorfield Real Estate Fund B Limited Partnership became Lone Star Real Estate Fund III (U.S.), L.P. (incorporated in the US) and Lone Star Real Estate Fund III (Bermuda), L.P. (incorporated in Bermuda).

Directors

The directors who served during the year and up to the date of signing the financial statements were:

Marc Gilbard
Nicholas Edwards
Charles Ferguson-Davie
Heiko Figge
Steven Hall

Going concern

The Directors are of the opinion that preparing the financial statements on a going concern basis is appropriate based on the forecast future trading performance of the company and that they have received confirmation from LSREF3 Laser Finance Limited Partnership and LSREF3 Laser Holdings (Jersey) Ltd that the financing facilities provided (see note 11) will not require repayment for a period of at least 12 months from the date of signing of the financial statements.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared 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.

MREF Capitalco Limited

**Directors' report
for the year ended 31 December 2014**

Statement of directors' responsibilities (continued)

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.

Statement of disclosure of information to auditors

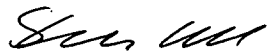
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Small companies' exemption

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

This report was approved by the board on 29.4.15 and signed on its behalf.



Steven Hall
Director

MREF Capitalco Limited

Independent auditors' report to the members of MREF Capitalco Limited

Report on the financial statements

Our opinion

In our opinion, MREF Capitalco Limited's financial statements (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 result 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.

What we have audited

MREF Capitalco Limited's financial statements comprise:

- the Balance sheet as at 31 December 2014;
- the Profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to prepare financial statements in accordance with the small companies' regime, take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

MREF Capitalco Limited

Independent auditors' report to the members of MREF Capitalco Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on pages 2 and 3, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Ian Benham (Senior Statutory Auditor)
for and on behalf of Pricewaterhouse Coopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Date:

29 April 2015

MREF Capitalco Limited

**Profit and loss account
for the year ended 31 December 2014**

The Company has not traded during the year or the preceding financial year. During these years, the Company received no income and incurred no expenditure and therefore made neither profit or loss.

The Company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of recognised gains and losses has been presented.

The notes on pages 8 to 10 form part of the financial statements.

MREF Capitalco Limited
Registered number: 05972998

Balance sheet
as at 31 December 2014

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Current assets					
Debtors	5	4,470		4,937	
Creditors: amounts falling due within one year	6	<u>(4,471)</u>		<u>(4,938)</u>	
Net current liabilities			(1)		(1)
Net liabilities			<u>(1)</u>		<u>(1)</u>
Capital and reserves					
Called up share capital	7		-		-
Profit and loss account	8		<u>(1)</u>		<u>(1)</u>
Total shareholders' deficit	9		<u>(1)</u>		<u>(1)</u>

The financial statements on pages 6 to 10 were approved by the board of directors on 29.4.15 and signed on its behalf by



Steven Hall
Director

The notes on pages 8 to 10 form part of these financial statements.

**Notes to the financial statements
for the year ended 31 December 2014**

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention, and in accordance with Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

1.2 Going Concern

The Directors are of the opinion that preparing the financial statements on a going concern basis is appropriate based on the forecast future trading performance of the company and that they have received confirmation from LSREF3 Laser Finance Limited Partnership and LSREF3 Laser Holdings (Jersey) Ltd that the financing facilities provided (see note 11) will not require repayment for a period of at least 12 months from the date of signing of the financial statements.

1.3 Cash flow statement

The Company has taken advantage of the exemption from preparing a cash flow statement contained in FRS 1 "Cash flow statements" on the grounds that it is a small Company.

1.4 Debtors

Debtors are stated after all known bad debts have been written off and specific provision has been made against all debts considered doubtful of collection.

2. Profit and loss account

The Company has not traded during the year or the preceding financial year. During these years, the Company received no income and incurred no expenditure and therefore made neither profit or loss.

Audit fees are borne by a related entity in both years.

3. Staff costs

The Company had no employees during the year (2013 - nil).

4. Directors' remuneration

There was no remuneration paid to the directors by the Company during the year (2013 - £nil). There were no retirement benefits accruing to the directors (2013 - £nil).

5. Debtors

	2014	2013
	£000	£000
Amounts owed by group undertakings	4,470	4,937

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

MREF Capitalco Limited

**Notes to the financial statements
for the year ended 31 December 2014**

**6. Creditors:
Amounts falling due within one year**

	2014 £000	2013 £000
Amounts owed to group undertakings	971	971
Other creditors	3,500	3,967
	4,471	4,938

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

7. Called up share capital

	2014 £000	2013 £000
Allotted and fully paid		
2 (2013 - 2) ordinary shares of £1 each	-	-

8. Reserves

	Profit and loss account £000
At 1 January 2014 and 31 December 2014	(1)

9. Reconciliation of movements in shareholders' deficit

	2014 £000	2013 £000
Total shareholders' deficit at 1 January 2014 and 31 December 2014	(1)	(1)

10. Related party transactions

The Company has taken advantage of the exemptions contained in FRS 8 "Related Party Disclosures" not to disclose transactions with related parties within the group as all of the voting rights of the Company are controlled within the group.

MREF Capitalco Limited

Notes to the financial statements for the year ended 31 December 2014

11. Immediate and ultimate parent undertaking and ultimate controlling parties

The Company's immediate parent undertaking is MREF Hotels Holdings Limited, a company incorporated in Jersey.

The Company's ultimate parent undertaking is MREF Hotels Limited, a company incorporated in Jersey of which the smallest and largest group of undertakings for which group financial statements are drawn up and of which the Company is a member of.

In February 2015 the ultimate beneficial owners, Moorfield Real Estate Fund A Limited Partnership and Moorfield Real Estate Fund B Limited Partnership, through a portfolio transaction, disposed of their entire interest in the Company to Lone Star Real Estate Fund III (U.S.), L.P. and Lone Star Real Estate Fund III (Bermuda), L.P. As part of the transaction the senior debt facility and related party loans were repaid in full and LSREF3 Laser (Mercure) Limited has provided two new facilities to the Company i) a 4 year floating rate interest bearing facility; and ii) a fixed rate mezzanine facility. The Company acts as a guarantor for the LSREF III Laser Investments Limited's £595.5 million 3 year sterling term loan.