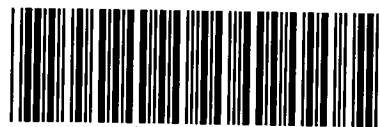


MREF Bristol Holdings Limited

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

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MREF Bristol Holdings Limited

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MREF Bristol Holdings Limited

Company information

Directors	Marc Gilbard Nicholas Edwards Charles Ferguson-Davie Heiko Figge Steven Hall
Registered number	06533950
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 Bristol Holdings Limited

Directors' report for the year ended 31 December 2014

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

Principal activity

The Company's principal activity during the year was that of a holding Company.

Results

The Company's loss for the financial year is £390,000 (2013 - £512,000).

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 16) 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 Bristol Holdings 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

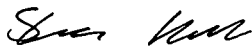
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- 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 Bristol Holdings Limited

Independent auditors' report to the members of MREF Bristol Holdings Limited

Report on the financial statements

Our opinion

In our opinion, MREF Bristol Holdings 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

MREF Bristol Holdings 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.

Independent auditors' report to the members of MREF Bristol Holdings 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

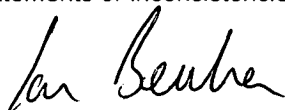
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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 PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Date: 29 April 2015

MREF Bristol Holdings Limited

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

	Note	2014 £000	2013 £000
Interest payable and similar charges	5	<u>(390)</u>	<u>(512)</u>
Loss on ordinary activities before taxation	2	(390)	(512)
Tax on loss on ordinary activities	6	<u>-</u>	<u>-</u>
Loss for the financial year	13	<u>(390)</u>	<u>(512)</u>

All amounts above relate to continuing operations.

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.

There are no material differences between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents.

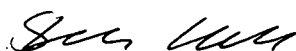
The notes on pages 8 to 12 form part of these financial statements.

MREF Bristol Holdings Limited
Registered number: 06533950

Balance sheet
as at 31 December 2014

	Note	2014 £000	2014 £000	2013 £000	2013 £000
Fixed assets					
Investments	7		19,487		19,487
Current assets					
Debtors	8	950		950	
Creditors: amounts falling due within one year	9	<u>(17,946)</u>		<u>(17,561)</u>	
Net current liabilities			<u>(16,996)</u>		<u>(16,611)</u>
Total assets less current liabilities			<u>2,491</u>		<u>2,876</u>
Creditors: amounts falling due after more than one year	10		<u>(7,619)</u>		<u>(7,614)</u>
Net liabilities			<u>(5,128)</u>		<u>(4,738)</u>
Capital and reserves					
Called up share capital	12		-		-
Profit and loss account	13		<u>(5,128)</u>		<u>(4,738)</u>
Total shareholders' deficit	14		<u>(5,128)</u>		<u>(4,738)</u>

The financial statements on pages 6 to 12 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 12 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

These 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 Consolidation

These financial statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent undertaking of a group. The Company is exempt under Section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent undertaking, MREF Hotels Limited, a company incorporated in Jersey.

1.3 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 16) will not require repayment for a period of at least 12 months from the date of signing of the financial statements.

1.4 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.

1.5 Investments

Fixed asset investments are stated at their purchase cost less any provision for impairment.

1.6 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.

1.7 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

2. Loss on ordinary activities before taxation

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

MREF Bristol Holdings Limited

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

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. Interest payable and similar charges

	2014 £000	2013 £000
Interest payable on bank loans	307	424
Finance fees payable	6	21
Interest payable to group undertakings	77	67
	<u>390</u>	<u>512</u>

6. Tax on loss on ordinary activities

	2014 £000	2013 £000
UK corporation tax charge on loss for the year	<u>-</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2013 - higher than) the standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%). The differences are explained below:

	2014 £000	2013 £000
Loss on ordinary activities before taxation	<u>(390)</u>	<u>(512)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%)	(84)	(119)
Effects of:		
Group relief surrendered	84	119
Total current tax	<u>-</u>	<u>-</u>

Factors affecting future tax charges:

Further reductions to the UK corporation tax rate were announced in the Autumn 2014 Budget statement. These changes were to reduce tax rates by a further 1% to 20% from 1 April 2015.

MREF Bristol Holdings Limited

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

7. Investments

	Investments in subsidiary undertakings £000
Cost	
At 1 January 2014 and 31 December 2014	19,487
Net book amount	
At 31 December 2014	19,487
At 31 December 2013	19,487

The Company's principal subsidiary undertaking is:

Name	Country of incorporation	Principal activity	Share ownership % class
Holland House Hotels (Bristol) Limited	United Kingdom	Property investment	100 Ordinary

The directors believe that the carrying value of the investments is supported by their underlying net assets

8. Debtors

	2014 £000	2013 £000
Amounts owed by group undertakings	950	950

Amounts owed by group undertakings are subject to interest at 2.5% above the Bank of England base rate, unsecured and repayable on demand.

9. Creditors: Amounts falling due within one year

	2014 £000	2013 £000
Amounts owed to group undertakings	17,946	17,522
Accruals and deferred income	-	39
	17,946	17,561

Amounts owed to group undertakings are subject to interest at 2.5% above the Bank of England base rate, unsecured and repayable on demand.

MREF Bristol Holdings Limited

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

10. Creditors: Amounts falling due after more than one year

	2014 £000	2013 £000
Bank loans - amounts drawn down (note 11)	7,634	7,634
Bank loans - unamortised finance fees (note 11)	(15)	(20)
	<u>7,619</u>	<u>7,614</u>

During the year bank loan borrowings were secured by fixed charges on group properties and floating charges on certain other group assets. The bank loans comprised variable rate debt at a margin of 200 basis points over LIBOR and the loan is repayable in full in August 2017.

MREF Tradeco Limited, a fellow group company, had entered into interest rate swap agreements in order to hedge a part of the MREF Hotels group's exposure to interest rates on bank loans. This arrangement enabled the Group to manage its interest rate exposure by swapping floating rates on borrowings into fixed rate amounts. Utilising this arrangement the group effectively obtained borrowings at a different rate to those available from borrowing directly at prevailing floating rates. The loans which were hedged were held in fellow group companies. The cost / gain of the interest rate swap was recharged to these companies in proportion to the value of the loan held within each company. The cost allocated to MREF Bristol Holdings Limited for the year ended 31 December 2014 was £114,000 (2013 - £270,000).

On 6 February 2015 the bank loan was repaid in full and the interest rate derivatives held with the same bank were terminated at a cost to the group of £8,710,000.

11. Loans and other borrowings

	2014 £000	2013 £000
Bank loans	<u>7,619</u>	<u>7,634</u>

Maturity of financial liabilities:

In one year or less, or on demand	-	-
In more than one year, but not more than two years	-	-
In more than two years, but not more than five years	7,619	7,634
In more than five years	-	-
	<u>7,619</u>	<u>7,634</u>

MREF Bristol Holdings Limited

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

12. Called up share capital

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

13. Reserves

	Profit and loss account £000
At 1 January 2014	(4,738)
Loss for the financial year	(390)
At 31 December 2014	(5,128)

14. Reconciliation of movements in shareholders' deficit

	2014 £000	2013 £000
Opening shareholders' deficit	(4,738)	(4,226)
Loss for the financial year	(390)	(512)
Closing shareholders' deficit	(5,128)	(4,738)

15. Related party transactions

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

16. Immediate and ultimate parent undertaking and ultimate controlling parties

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

The Company's ultimate parent entity 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.