

Registration number 1958053

QMH UK Limited

Directors' Report and Financial Statements
for the Year Ended 31 December 2011

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

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QMH UK Limited
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QMH UK Limited
Company Information

Directors	M Rosenberg E J Rieck W2001 Britannia LLC W2001 Two CV
Company secretary	S A Coughlan
Registered office	Queens Court 9-17 Eastern Road Romford Essex RM1 3NG
Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

QMH UK Limited
Directors' Report for the Year Ended 31 December 2011

The directors present their report and the audited financial statements for the year ended 31 December 2011

Directors of the company

The directors who held office during the year were as follows

M Rosenberg

E J Rieck

W2001 Britannia LLC

W2001 Two CV

Principal activity

The principal activity of the company is to operate as the central service company for the QMH UK hotels division and recharges these services on a cost plus basis

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future

The year end financial position is set out in the balance sheet on page 9

Business review

Fair review of the business

The company's retained profit for the year ended 31 December 2011 amounted to £2.5 million (2010 retained profit of £4.0 million)

The year end balance sheet position is set out in the balance sheet on page 9. The company's net assets as at 31 December 2011 increased from £8.0 million to £10.4 million reflecting the retained profit for the year of £2.5 million

Principal risks and uncertainties

The company is a subsidiary within the QMH Limited group and as such the principal risks and uncertainties are the same as those facing the group -

The management of the group's business and the execution of the group's strategy are subject to a number of risks. The key business risks and uncertainties affecting the group are considered to be as follows

- Covenant compliance

Management actively monitors the group's debt facilities for compliance and prepares rolling quarterly profit and interest forecasts and sensitivity analyses, which enable them to identify concerns relating to covenant compliance early and to take remedial action where necessary

The European senior loan and the group mezzanine loan facilities each contain a financial covenant, which requires the calculation of a debt service cover ratio (DSCR) on a quarterly basis

Additionally, the mezzanine loan facility contains a financial covenant, which requires the calculation of a Debt-to-Ebitda ratio on a quarterly basis

The UK senior loan facility contains four financial covenant calculations required on a quarterly basis. These are a cashflow cover ratio, a loan to value ratio, a senior interest cover ratio and a senior leverage ratio

QMH UK Limited

Directors' Report for the Year Ended 31 December 2011

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Other risks

The company is subject to certain financial risks as a result of being guarantor to loans held by the company's direct and indirect parent companies. Details of how these companies manage specific risks are set out in the financial statements of those companies. Details of how to obtain copies of these financial statements are set out in note 17 to these accounts.

Employment of disabled persons

the employment of disabled people, having regard to the demands of the company's operations and their abilities to fulfill such demands. If existing employees become disabled, appropriate work is found for them wherever possible and training supplied, if required. Employees with disabilities are encouraged and assisted in developing their career and skills within the company.

Employee involvement

Following the introduction of the new legislation, Consultation Committees have been introduced throughout the business and regular meetings take place, which allow effective consultation on subjects affecting employees. Ongoing effort is made to keep employees informed through team briefings and the production of regular in-house magazines.

Going concern

Given that the company forms part of the QMH Limited group and relies on the performance of the group, the directors of the company have taken into account the going concern assessment made by the directors of QMH Limited. In considering the going concern status of the group the directors of QMH Limited have reviewed the period up to the date that the Mezzanine Facility is due to be repaid on 22 March 2013, and considered a number of different financial scenarios. As noted in Note 1 to the accounts, based on these forecasts, the group faces material uncertainties that may cast doubt on its ability to meet its Covenants, which if breached would mean debt becoming repayable on demand and therefore may effect the company's ability to continue as a going concern. It will therefore have to take steps to ensure continued compliance with existing financial covenants. These steps include any or all of selective asset disposals, careful cash flow management and negotiations on its terms of finance with its lenders and shareholders. These steps are already underway with certain asset disposal processes reasonably progressed and discussions with lenders being taken forward. In the light of the information currently available to them, the directors of QMH Limited believe that the group will be able to continue in operational existence for the foreseeable future. On this basis, the directors consider it appropriate to prepare the company accounts on a going concern basis.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

QMH UK Limited

Directors' Report for the Year Ended 31 December 2011

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Reappointment of auditors

PricewaterhouseCoopers LLP are deemed to be reappointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continued in force under the Companies Act 2006

Approved by the Board on 20 March 2012 and signed on its behalf by



S A Coughlan
Company secretary

QMH UK Limited

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

- select suitable accounting policies and 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, and
- 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 QMH UK Limited

We have audited the financial statements of QMH UK Limited for the year ended 31 December 2011, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities (set out on page 5), 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 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.

Scope of the audit of the financial statements

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. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on the 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 2011 and of its Profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter

In forming our opinion on the statutory group financial statements, which is not qualified, we have considered the adequacy of the disclosures made in the Basis of Preparation note to the financial statements concerning the company and its parent's ability to continue as a going concern. In the directors' view, QMH Limited is likely to have to take steps to ensure continued compliance with existing financial covenants. Such steps include any or all of selective asset disposals, careful cash flow management and negotiations on its terms of finance with its lenders and shareholders. If covenants are breached, debt would become repayable on demand and indicates the existence of material uncertainties which may cast doubt about QMH Limited and all of its subsidiaries' ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were 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 for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent Auditor's Report to the Members of
QMH UK Limited**

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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

John Ellis

John Ellis (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

21 March 2012

QMH UK Limited
Profit and Loss Account for the Year Ended 31 December 2011

	Note	2011 £ 000	2010 £ 000
Exceptional item	3	515	-
Administrative expenses		(3,293)	(3,579)
Other operating income		<u>5,379</u>	<u>9,165</u>
Operating profit	2	2,601	5,586
Other interest receivable and similar income	6	2,307	2,157
Interest payable and similar charges	7	<u>(2,156)</u>	<u>(2,103)</u>
Profit on ordinary activities before taxation		2,752	5,640
Tax on profit on ordinary activities	8	<u>(284)</u>	<u>(1,644)</u>
Profit for the financial year	13	<u><u>2,468</u></u>	<u><u>, 3,996</u></u>

Operating profit derives wholly from continuing operations

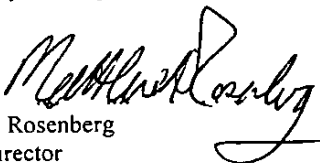
The company has no recognised gains or losses for the year other than the results above and, therefore, no separate statement of total recognised gains and losses has been prepared

There is no difference between the loss on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

QMH UK Limited
(Registration number: 1958053)
Balance Sheet at 31 December 2011

	Note	2011 £ 000	2010 £ 000
Fixed assets			
Tangible fixed assets	9	<u>570</u>	<u>371</u>
Current assets			
Debtors	10	115,460	101,949
Cash at bank and in hand		<u>3,592</u>	<u>11,408</u>
		119,052	113,357
Creditors Amounts falling due within one year	11	<u>(109,174)</u>	<u>(105,748)</u>
Net current assets		<u>9,878</u>	<u>7,609</u>
Net assets		<u>10,448</u>	<u>7,980</u>
Capital and reserves			
Profit and loss account	13	<u>10,448</u>	<u>7,980</u>

Approved by the Board on 20 March 2012 and signed on its behalf by


M Rosenberg
Director

QMH UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2011

1 Accounting policies

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention as modified by the revaluation of freehold and long leasehold properties and in accordance with the 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.

Exemption from preparing a cash flow statement

The company is exempt from preparing a cash flow statement as it is a wholly owned subsidiary of QMH Limited and the cashflows of the company are included in the consolidated cashflow statement of that company. Consequently, the company is exempt under the provisions of Financial Reporting Standard 1 (revised 1996) "Cash Flow Statements" from publishing a cashflow statement.

Going concern

In the last two years, the group has successfully refinanced its principal borrowings. As set out in the Directors Report, the group's debt is subject to a number of covenants. As a result of the ongoing difficult trading conditions, particularly in the United Kingdom and The Netherlands, management believe that there is a risk of a covenant breach during the next twelve months unless specific steps are taken to prevent it. Such steps could include any or all of selective assets disposals, careful cash management and negotiations on its terms of finance with Lenders. Such steps are already underway.

If covenants are breached debt would become repayable on demand and therefore may effect the group and company's ability to continue as a going concern. Nevertheless, after considering the uncertainties disclosed and the actions underway, the directors have concluded that it is appropriate to prepare the accounts on a going concern basis. These financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

Depreciation

Depreciation is calculated to write off the revalued amounts or cost, less estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned.

Asset class	Depreciation method and rate
Plant and equipment	3 to 15 years

Fixed asset investments

Tangible fixed assets are recorded at historical cost, being their purchase cost, together with any incidental expenses of acquisition.

QMH UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2011

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Deferred tax

Full provision is made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations, where future payment or receipt is more likely than not to occur

Deferred tax assets are regarded 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 provided on a non-discounted basis

Foreign currency

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account

Leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

Pensions

Both the Company and certain individuals make contributions into either a Group Stakeholder Pension or a Group Personal Pension Fund. Company contributions are expensed through the profit and loss as incurred

2 Operating profit

Operating profit is stated after charging

	2011 £ 000	2010 £ 000
Operating leases - other assets	270	257
Foreign currency losses	9	4
Depreciation of owned assets	175	187
Auditor's remuneration	100	100

Auditors' remuneration for the year ended 31 December 2011 amounting to £1,000 (31 December 2010 £1,000) has been borne by QMH UK Limited on behalf of the company

QMH UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2011

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3 Exceptional items

	2011 £ 000	2010 £ 000
Other exceptional	<u>(515)</u>	<u>-</u>

Other exceptional relates to a refund of an overpayment of value added tax

4 Particulars of employees

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows

	2011 No.	2010 No.
Other departments	<u>38</u>	<u>35</u>

Other departments represents the average number of employees in the company

The aggregate payroll costs were as follows

	2011 £ 000	2010 £ 000
Wages and salaries	1,680	2,061
Social security costs	162	159
Staff pensions	<u>121</u>	<u>101</u>
	<u>1,963</u>	<u>2,321</u>

5 Directors' remuneration

The fees for Mr Rieck and Mr Rosenberg were paid by QMH Limited, no recharge was made to the company

W2001 Britannia LLC and W2001 Two CV received no remuneration for their services as directors of the company or any of the company's fellow subsidiaries

QMH UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2011

..... continued

6 Other interest receivable and similar income

	2011 £ 000	2010 £ 000
Bank interest receivable	7	10
Other interest receivable	<u>2,300</u>	<u>2,147</u>
	<u>2,307</u>	<u>2,157</u>

7 Interest payable and similar charges

	2011 £ 000	2010 £ 000
Interest on loans from group undertakings	<u>2,156</u>	<u>2,103</u>
	<u>2,156</u>	<u>2,103</u>

QMH UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2011

..... *continued*

8 Taxation

Tax on profit on ordinary activities

	2011 £ 000	2010 £ 000
Current tax		
Corporation tax charge	<u>284</u>	<u>1,644</u>

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is lower than (2010 - higher than) the standard rate of corporation tax in the UK of 26.5% (2010 - 28%)

The differences are reconciled below

	2011 £ 000	2010 £ 000
Profit on ordinary activities before taxation	<u>2,752</u>	<u>5,640</u>
Corporation tax at standard rate	729	1,579
Depreciation for the period in excess of capital allowances	46	52
Items not relevant for tax purposes	1	12
Adjustments in respect of previous periods	<u>(492)</u>	<u>1</u>
Total current tax	<u>284</u>	<u>1,644</u>

Factors that may affect future tax charges

The company does not expect to pay tax in 2012 due to the availability of tax losses in the group

The company has not recognised any net deferred tax assets in respect of Accelerated Capital Allowances of £1,879,000 (2010 £1,974,000). Subject to changes in tax legislation, the directors do not expect sufficient taxable profits to arise to utilise these unclaimed allowances, in the foreseeable future. Given current economic circumstances, there is currently insufficient evidence to support recognition of a deferred tax asset.

QMH UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2011

..... *continued*

9 Tangible fixed assets

Tangible fixed assets

	Fixtures and fittings £ 000	Total £ 000
Cost or valuation		
At 1 January 2011	2,669	2,669
Additions	374	374
At 31 December 2011	<u>3,043</u>	<u>3,043</u>
Depreciation		
At 1 January 2011	2,298	2,298
Charge for the year	175	175
At 31 December 2011	<u>2,473</u>	<u>2,473</u>
Net book value		
At 31 December 2011	<u>570</u>	<u>570</u>
At 31 December 2010	<u>371</u>	<u>371</u>

QMH UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2011

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10 Debtors

	2011 £ 000	2010 £ 000
Amounts owed by group undertakings	114,649	101,757
Other debtors	311	166
Prepayments and accrued income	500	26
	<u>115,460</u>	<u>101,949</u>

Included within amounts owed by group undertakings are loans to fellow subsidiary undertakings of £114,649,000 (2010 £101,757,000) These loans are repayable on demand, on giving thirty days notice, however the company has confirmed that it has no current intention of calling for repayment Of the above loans £82,849,000 (2010 £80,828,000) is interest bearing and attracts interest at 2% above the Bank of England base rate whilst £2,556,000 (2010 £2,336,000) is interest bearing and attracts interest at a fixed rate of 8% Interest accrued and unpaid in 2011 amounts to £2,210,000 (2010 £2,147,000)

11 Creditors: Amounts falling due within one year

	2011 £ 000	2010 £ 000
Trade creditors	252	266
Amounts owed to group undertakings	106,256	102,252
Other taxes and social security	1,673	2,078
Other creditors	106	61
Accruals and deferred income	887	1,091
	<u>109,174</u>	<u>105,748</u>

Included within amounts owed to group undertakings are loans from the immediate parent company and fellow subsidiary undertakings of £106,256,000 (2010 £102,252,000) These loans are repayable on demand, on giving thirty days notice, however these companies have confirmed that they have no current intention of calling for repayment Of the above loans £88,381,000 (2010 £86,225,000) is interest bearing and attracts interest at 2% above the Bank of England base rate Interest accrued and unpaid in 2011 amounts to £2,156,000 (2010 £2,103,000)

QMH UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2011

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12 Share capital

Allotted, called up and fully paid shares

	2011		2010	
	No.	£ 000	No.	£ 000
Ordinary of £1 each	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>

13 Reserves

	Profit and loss account £ 000	Total £ 000
At 1 January 2011	7,980	7,980
Profit for the year	<u>2,468</u>	<u>2,468</u>
At 31 December 2011	<u>10,448</u>	<u>10,448</u>

14 Reconciliation of movement in shareholders' funds

	2011 £ 000	2010 £ 000
Profit attributable to the members of the company	<u>2,468</u>	<u>3,996</u>
Net addition to shareholders' funds	<u>2,468</u>	<u>3,996</u>
Shareholders' funds at 1 January	<u>7,980</u>	<u>3,984</u>
Shareholders' funds at 31 December	<u>10,448</u>	<u>7,980</u>

15 Contingent liabilities

On 23 February 2011 the company entered into a guarantee providing a fixed charge over its assets, together with certain other subsidiary undertakings to secure a senior loan held by QMH Finance Number 1 Limited, which at 31 December 2011 amounted to £91 8 million

On 24 November 2004 the company entered into a guarantee providing fixed and floating charges over its assets, together with certain other subsidiary undertakings, to secure a mezzanine loan held by QMH Limited, which at 31 December 2011 amounted to £157 6 million (2010 £158 8 million)

QMH UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2011

..... continued

16 Related party transactions

The company is a wholly owned subsidiary of QMH Limited. Consequently it has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group.

17 Ultimate parent company

The company is controlled by QMH Finance Number 1 Limited, which is a subsidiary of QMH Limited, which indirectly owns the entire share capital of the company and is incorporated in England and Wales. Copies of QMH Limited's consolidated financial statements are available from its registered office at 9-17 Eastern Road, Romford, Essex, RM1 3NG. The directors consider the company's ultimate holding company to be W2001 Britannia LLC who is the majority shareholder and is a limited liability company formed under the laws of the State of Delaware on 29 April 2004.

W2001 Britannia LLC is wholly owned and controlled by four separate Delaware limited partnerships: Whitehall Street Global Real Estate Limited Partnership 2001, Whitehall Street International Real Estate Limited Partnership 2001, Whitehall Street Global Employee Fund 2001, L P and Whitehall Street International Employee Fund 2001 (Delaware), L P each formed in 2001. The sole general partner of each Whitehall 2001 Partnership is a Delaware limited liability company, and each said partner is wholly owned by Goldman Sachs. The limited partners of each Whitehall Partnership include (as applicable) Goldman Sachs, institutional investors, employees of Goldman Sachs and its affiliates and private clients of Goldman Sachs and its affiliates.