

ABRSW Hotels Limited

Directors' report and financial statements

for the year ended 31 December 2013



Company number: 2905995

ABRSW Hotels Limited

Directors' report for the year ended 31 December 2013

The directors present their report and the financial statements for ABRSW Hotels Limited ('the company') for the year ended 31 December 2013.

Principal activities and review of the business

The company did not trade on its own account during the year ended 31 December 2013 or the prior year, and hence no profit and loss account has been prepared. The directors do not expect it to trade in the foreseeable future.

The financial position of the company is set out in the balance sheet on page 4.

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 facing the group are considered to be as follows:

Debt and covenant compliance

At the end of 2013 bank and shareholder debt of the Group was £288.4 million compared with £466.0 million at the end of December 2012. The bank debt at year end comprised senior bank debt of £89.7 million (2012: £255.9 million) and mezzanine bank debt of £151.3 million (2011: £166.0 million) secured by various fixed and floating charges over the assets of certain subsidiaries of the company and £46.6 million (2012: £44.1 million) of shareholder debt, which is partially offset by cash at bank and in hand of £32.1 million (2012: £19.0 million).

The UK Senior loan facility was extended on 22 March 2013 to 20 April 2015. This facility was reduced in 2013 by £10.9 million as a result of mandatory repayments following intra group asset sales and voluntary debt repayments.

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. The forecast is currently showing compliance with the covenants through to the end of the term of the facility albeit with limited headroom. The UK Senior loan facility was repaid in full on the sale of the UK division.

The European senior facility was repaid in full on 28 March 2013 as a result of the sale of the German division.

On 13 February 2013 the Mezzanine Lenders extended the Mezzanine Loan to 28 October 2015 and all interest is now PIYC. The Mezzanine loan facility contains a financial covenant, which requires the calculation of a Debt-to-Ebitda ratio on a quarterly basis. The Group has been in breach of this covenant since 30 September 2012. No enforcement action has been taken by the Mezzanine Lenders to date and a formal Standstill Agreement was signed on 22 March 2013 confirming that no enforcement action will be taken as a result of the covenant breaches while the Standstill Agreement is in place. The Standstill Agreement has continued to be renewed since then and currently expires on 30 September 2014. Negotiations are ongoing to extend this Standstill Agreement in light of the sale of the UK Division. £50 million was repaid following that disposal and it is anticipated that a further £8 million will be repaid in the immediate future.

The Directors have considered the issue of going concern and have prepared the financial statements on that basis, whilst acknowledging a material uncertainty as to any potential steps that may be taken by the Mezzanine Lenders. Further details around the going concern decision and mitigating actions against potential risks are outlined in the following sections. The continuing Event of Default does not cause any cross default to any of the other loans within the Group.

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.

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Going Concern

Given that the Company forms part of the QMH Limited Group and relies on the performance and ongoing support of the Group, the Directors have taken into account the going concern assessment made by the directors of QMH Limited.

The Group has been in breach of its Debt:EBITDA covenant in respect of the Mezzanine loan since 30 September 2012. The Mezzanine Lenders have signed a standstill agreement and no enforcement action has been taken. This time is being used by the Mezzanine Lenders to review its options and in particular the sale of the UK business. Thereafter, the debt is repayable on demand. The Company will require the ongoing support of the Mezzanine Lenders in order to continue as a going concern, specifically in taking no enforcement action and agreeing that available funds can be used to pay other liabilities of the Company.

The forecast is currently showing compliance of the UK Senior covenants until the end of the term of the loan in April 2015 albeit with limited headroom. Remedies are available to the directors in the event of a downturn of trading results.

The group is currently exploring certain options repay debt and to mitigate current and future breaches. The group has exited the majority of onerous leases and has completed the sale process of the UK hotel portfolio. The proceeds of the sale were used to repay the senior debt and repay £50 million of the Mezzanine loan with a further amount of £8m anticipated to be repaid in the immediate future and at the same time, the Mezzanine lenders released the companies in the UK Group from the charges over the assets in those companies. In addition, ongoing discussions with the Mezzanine Lenders to extend the Standstill Agreement and reset covenants are progressing well.

Despite this material uncertainty, the directors consider that there is a reasonable possibility of avoiding an insolvent liquidation and have therefore prepared the financial statements on going concern basis.

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Directors' report for the year ended 31 December 2013 (continued).

Dividends

The directors do not recommend the payment of a dividend (2012: £nil).

Directors and directors' interests

The directors of the company during the year and up to the date of signing the financial statements were as follows:

E J Rieck	- resigned 30 September 2013
M Rosenberg	- resigned 1 April 2014
M Quinn	- appointed 1 April 2014
W2001 Britannia LLC	- resigned 31 January 2013
W2001 Two CV	- resigned 31 January 2013

None of the directors who held office at 31 December 2013 had any interests in the share capital of the company or QMH Limited.

Independent Auditors

In accordance with Section 480 of the Companies Act 2006, the company is exempt from the requirement to have its financial statements audited.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

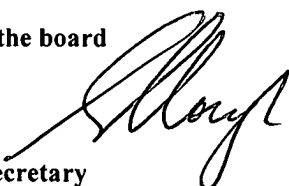
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 group and the company and of the profit or loss of the group 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; 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

S Coughlan
Company Secretary
29 September 2014



ABRSW Hotels Limited

Balance sheet at 31 December 2013

	Notes	31 December 2013 £'000	31 December 2013 £'000
Current assets			
Debtors	3	53	53
Creditors: amounts falling due after more than one year	4	-	-
Net assets		<u>53</u>	<u>53</u>
Capital and reserves			
Called up share capital	5	-	-
Profit and loss account	6	53	53
Total Shareholders' funds		<u>53</u>	<u>53</u>

The notes on pages 5 to 7 form part of these financial statements.

For the year ending 31 December 2013 the company was entitled to audit exemption under section 480 of the Companies Act 2006. No members have required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for ensuring that the company keeps accounting records that comply with section 386, and for preparing financial statements that give a true and fair view of the state of affairs of the company as at the end of the financial year, and of its profit or loss for the financial year, in accordance with the requirements of section 393, and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

Approved by the Board on 29 September 2014 and were signed on its behalf by:



Martin Quinn
Director

Company number: 2905995

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Notes to the financial statements for the year ended 31 December 2013

1 Accounting policies

(a) 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.

(b) Going concern

Given that the Company forms part of the QMH Limited Group and relies on the performance and ongoing support of the Group, the Directors have taken into account the going concern assessment made by the directors of QMH Limited.

The Group has been in breach of its Debt:EBITDA covenant in respect of the Mezzanine loan since 30 September 2012. The Mezzanine Lenders have signed a standstill agreement and no enforcement action has been taken. This time is being used by the Mezzanine Lenders to review its options and in particular the sale of the UK business. Thereafter, the debt is repayable on demand. The Company will require the ongoing support of the Mezzanine Lenders in order to continue as a going concern, specifically in taking no enforcement action and agreeing that available funds can be used to pay other liabilities of the Company.

The forecast is currently showing compliance of the UK Senior covenants until the end of the term of the loan in April 2015 albeit with limited headroom. Remedies are available to the directors in the event of a downturn of trading results.

The group is currently exploring certain options repay debt and to mitigate current and future breaches. The group has exited the majority of onerous leases and has completed the sale process of the UK hotel portfolio. The proceeds of the sale were used to repay the senior debt and repay £50 million of the Mezzanine loan with a further amount of £8m anticipated to be repaid in the immediate future and at the same time, the Mezzanine lenders released the companies in the UK Group from the charges over the assets in those companies. In addition, ongoing discussions with the Mezzanine Lenders to extend the Standstill Agreement and reset covenants are progressing well.

Despite this material uncertainty, the directors consider that there is a reasonable possibility of avoiding an insolvent liquidation and have therefore prepared the financial statements on going concern basis.

(c) Cashflow

The company 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.

(d) Related party transactions

The company is a wholly owned subsidiary of QMH Limited. Consequently, the company is exempt, under the provisions of Financial Reporting Standard 8, from disclosing the details of any transactions with group related parties.

2 Directors' emoluments

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.

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Notes to the financial statements for the year ended 31 December 2013 (continued)

3 Debtors: amounts falling due within one year

	31 December 2013 £'000	31 December 2012 £'000
Amounts owed by group undertakings	53	53

Included within amounts owed by group undertakings are non-interest bearing loans to other subsidiaries of £53,000 (2012: £53,000). These loans are repayable on demand, however, the company has no current intention of calling for repayment.

4 Creditors: amounts falling due after more than one year

	31 December 2013 £'000	31 December 2012 £'000
1 deferred share £1	-	-

The deferred share carries no right to participate in the distribution of profits by way of dividend. On a return of assets on a winding up (but not otherwise) the surplus assets of the company remaining after payment of its liabilities and the capital paid up on the ordinary shares, shall be applied in paying the capital paid up on the deferred share, any balance being distributed among the ordinary shareholders. The deferred share carries no right to attend or vote at any general meeting unless a resolution is to be proposed at such a meeting for the amendment, variation or modification of the company's objects or memorandum of association or any abrogation, variation or modification of any of the rights and privileges attached to the deferred share. In such event, the holder shall be entitled to attend, speak and vote only in respect of these resolutions. For the purpose of Financial Reporting Standard 4 "Capital Instruments", the deferred share of £1 constitutes non-equity shareholders' funds.

5 Called up share capital

	31 December 2013 £'000	31 December 2012 £'000
Authorised: 99 ordinary shares of £1 each	-	-
Allotted, called up and fully paid: 1 ordinary share of £1	-	-

6 Reserves

	Profit and loss account £'000
At 31 December 2013 and 31 December 2012	53

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Notes to the financial statements for the year ended 31 December 2013 (continued)

7 Contingent liabilities

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 2013 amounted to £151.3 million (2012: £166.0 million).

8 Ultimate parent company

The company is a subsidiary of QMH Limited, which 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.

Following the transfer of shares by the previous shareholders of QMH Limited on 31 January 2013 the company has no majority or controlling shareholder.

Prior to the change, W2001 Britannia LLC was the majority shareholder. W2001 Britannia LLC 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 early 2001. The sole general partner of each Whitehall 2001 Partnership is a special purpose Delaware limited liability company that is wholly owned by Goldman Sachs. The limited partners of each Whitehall 2001 Partnership include (as applicable) Goldman Sachs, institutional investors, employees of Goldman Sachs and its affiliates and private clients of Goldman Sachs and its affiliates.

The results of QMH Limited are not and were not previously consolidated by any other entity.