

Registration number 2999276

# ESB Hotels Limited

Directors' Report and Financial Statements

for the Year Ended 31 December 2010

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

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**ESB Hotels Limited**  
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**ESB Hotels Limited**  
**Company Information**

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

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**ESB Hotels Limited**  
**Directors' Report for the Year Ended 31 December 2010**

The directors present their report and the financial statements for the year ended 31 December 2010

**Directors of the company**

The directors who held office during the year were as follows

M Rosenberg

E J Rieck

W2001 Britannia LLC (appointed 15 June 2010)

W2001 Two CV (appointed 15 June 2010)

H L Mulahasanı (Resigned 15 June 2010)

V Menard (Resigned 15 June 2010)

**Principal activity**

The principal activity of the company is the ownership and management of hotels. There have been no significant changes to the company's activities.

**Business review**

*Fair review of the business*

The company's retained loss for the year ended 31 December 2010 amounted to £2.5 million (2009: £2.6 million).

The year end balance sheet position is set out in the balance sheet on page 9. The company's net liabilities as at 31 December 2010 increased from £3.7 million to net liabilities of £6.2 million reflecting the retained loss for the year of £2.5 million.

The company's directors are of the opinion that analysis using KPI's assists with their understanding of the development, performance and position of the business. The key KPI's used are occupancy, average daily rate achieved, revenue per available room, operating margins, compared to budget and prior year.

## **ESB Hotels Limited**

### **Directors' Report for the Year Ended 31 December 2010**

*..... continued*

#### ***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 of £100.1 million at year end was repaid on 23 February 2011 on the same date the Group entered into a new senior loan agreement of £94.3 million which is secured by fixed charges over 14 of the Group's UK properties

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

Management believe that the company will continue to be able to comply with all covenants for the next 12 months

#### ***Going concern***

The balance sheet set out on page 9 shows the company has net current liabilities of £8,602,000 and net liabilities of £6,190,000 at 31 December 2010. Included in these net current liabilities is £12,125,000 due to other group companies which have been treated as payable within one year. However, these group companies have indicated that they have no current intention of calling for repayment until the company has the necessary funds available. On this basis, the directors are satisfied that it is appropriate for the financial statements to be prepared on the going concern basis at this time

#### **Financial instruments**

#### ***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 18 to these accounts

## **ESB Hotels Limited**

### **Directors' Report for the Year Ended 31 December 2010**

*..... continued*

#### **Employment of disabled persons**

The company recognises its obligations towards people with disabilities and its policy is to encourage and assist 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 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.


#### **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.

#### **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 23 June 2011 and signed on its behalf by

  
M Rosenberg  
Director

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**ESB Hotels 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 ESB Hotels Limited**

We have audited the financial statements (the "financial statements") of ESB Hotels Limited for the year ended 31 December 2010, set out on pages 8 to 18, which comprise the profit and loss account, the balance sheet and the accounting policies 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 (APB'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.

### **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 2010 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.

### **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  
ESB Hotels Limited**

*..... continued*

**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 (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

1 Embankment Place  
London  
WC2N 6RH

24~~25~~ June 2011  
JC

**ESB Hotels Limited**  
**Profit and Loss Account for the Year Ended 31 December 2010**

	Note	2010 £ 000	2009 £ 000
Turnover		11,860	11,647
Cost of sales		<u>(7,544)</u>	<u>(7,541)</u>
Gross profit		4,316	4,106
Administrative expenses		<u>(6,832)</u>	<u>(6,696)</u>
Operating loss	2	(2,516)	(2,590)
Other interest receivable and similar income	5	<u>-</u>	<u>7</u>
Loss on ordinary activities before taxation		(2,516)	(2,583)
Tax on loss on ordinary activities	6	<u>-</u>	<u>(5)</u>
Loss for the financial year	13	<u><u>(2,516)</u></u>	<u><u>(2,588)</u></u>

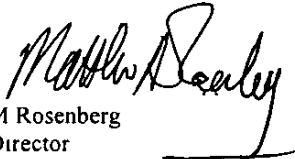
Turnover and operating profit derive wholly from continuing operations

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 loss for the year stated above and their historical cost equivalents.

**ESB Hotels Limited**  
**(Registration number: 2999276)**  
**Balance Sheet at 31 December 2010**

	Note	2010 £ 000	2009 £ 000
<b>Fixed assets</b>			
Tangible fixed assets	7	<u>2,412</u>	<u>2,640</u>
<b>Current assets</b>			
Stocks	8	69	82
Debtors	9	4,547	4,512
Cash at bank and in hand		<u>13</u>	<u>12</u>
		4,629	4,606
Creditors Amounts falling due within one year	10	<u>(13,230)</u>	<u>(10,920)</u>
Net current liabilities		<u>(8,601)</u>	<u>(6,314)</u>
Net liabilities		<u>(6,189)</u>	<u>(3,674)</u>
<b>Capital and reserves</b>			
Profit and loss account	13	<u>(6,189)</u>	<u>(3,674)</u>

Approved by the Board on 23 June 2011 and signed on its behalf by

  
M Rosenberg  
Director

## **ESB Hotels Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2010**

#### **1 Accounting policies**

##### **Basis of preparation**

The financial statements have been prepared on the going concern basis, under the historical cost convention in accordance with the Companies Act 2006. The financial statements have been drawn up to comply with applicable Accounting Standards in the United Kingdom. The directors have reviewed the company's accounting policies and estimation techniques and consider that the accounting policies selected for use in the preparation of the financial statements are the most appropriate for the company's circumstances and are consistent with the principles of Financial Reporting Standard 18 "Accounting Policies".

##### **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**

The balance sheet set out on page 9 shows the company has net current liabilities of £8,602,000 and net liabilities of £6,190,000 at 31 December 2010. Included in these net current liabilities is £12,125,000 due to other group companies which have been treated as payable within one year. However, these group companies have indicated that they have no current intention of calling for repayment until the company has the necessary funds available. On this basis, the directors are satisfied that it is appropriate for the financial statements to be prepared on the going concern basis at this time.

##### **Turnover**

Turnover is the total income receivable for goods supplied and services rendered, excluding VAT. Leisure club membership fees are recognised on a straight line basis over the membership period.

##### **Depreciation**

Leasehold land is depreciated over the unexpired period of the lease, or such longer period where the anticipated renewal is considered to be sufficiently certain and is calculated to reflect the consumption of value over the lease term.

Depreciation is calculated to write off the cost, less estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. Buildings are separated into identifiable components with significantly different useful economic lives as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Long leasehold buildings	25 to 75 years
Properties on leases with less than 25 years to run at the balance sheet date	over the unexpired period of the lease
Fixtures and fittings	4 to 7 years
Plant and equipment	3 to 15 years

##### **Fixed asset investments**

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

## ESB Hotels Limited

### Notes to the Financial Statements for the Year Ended 31 December 2010

..... *continued*

#### Stocks, work in progress and long-term contracts

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

#### Deferred tax

Full provision is made for deferred tax arising from timing differences between 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.

#### Leases

Costs in respect of operating leases are charged to 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 loss

Operating loss is stated after charging

	2010 £ 000	2009 £ 000
Operating leases rentals	4,004	3,958
Depreciation of owned assets	590	544

## ESB Hotels Limited

### Notes to the Financial Statements for the Year Ended 31 December 2010

..... *continued*

#### 3 Particulars of employees

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

	2010 No.	2009 No
Average number of employees	<u>204</u>	<u>208</u>

The aggregate payroll costs were as follows

	2010 £ 000	2009 £ 000
Wages and salaries	3,156	3,168
Social security costs	217	215
Staff pensions	<u>37</u>	<u>36</u>
	<u>3,410</u>	<u>3,419</u>

#### 4 Directors' remuneration

The directors' remuneration for the year was as follows

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

Ms Mulahasani, Ms Menard, 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

#### 5 Other interest receivable and similar income

	2010 £ 000	2009 £ 000
Bank interest receivable	<u>-</u>	<u>7</u>

#### 6 Taxation

Tax on loss on ordinary activities

	2010 £ 000	2009 £ 000
Current tax		
Corporation tax charge	<u>-</u>	<u>5</u>

## ESB Hotels Limited

### Notes to the Financial Statements for the Year Ended 31 December 2010

..... *continued*

#### Factors affecting current tax charge for the year

Tax on loss on ordinary activities for the year is higher than (2009 - higher than) the standard rate of corporation tax in the UK of 28% (2009 - 28%)

The differences are reconciled below

	2010 £ 000	2009 £ 000
Loss on ordinary activities before taxation	(2,516)	(2,583)
Corporation tax at standard rate	(704)	(723)
Depreciation for the period in excess of capital allowances	165	152
Adjustments in respect of previous periods	-	6
Expenses not deductible for tax purposes	1	-
Tax losses carried forward	-	570
Utilisation of tax losses	538	-
Total current tax		5

#### Factors that may affect future tax charges

Losses available but not recognised, subject to agreement with the relevant tax authorities to set against future profits of the company amount to £6,118,000 (2009 £4,194,000)

The company has not recognised any net deferred tax assets in respect of losses available of £2,425,000 (2009 £1,174,000) and Accelerated Capital Allowances of £712,000 (2009 £550,000) Subject to changes in tax legislation, the directors do not expect sufficient taxable profits to arise to utilise these tax losses and unclaimed allowances, in the foreseeable future Given current economic circumstances, there is currently insufficient evidence to support recognition of a deferred tax asset

## ESB Hotels Limited

### Notes to the Financial Statements for the Year Ended 31 December 2010

..... *continued*

#### 7 Tangible fixed assets

##### Tangible fixed assets

	<b>Fixtures and fittings £ 000</b>	<b>Total £ 000</b>
<b>Cost or valuation</b>		
At 1 January 2010	4,398	4,398
Additions	362	362
At 31 December 2010	4,760	4,760
<b>Depreciation</b>		
At 1 January 2010	1,758	1,758
Charge for the year	590	590
At 31 December 2010	2,348	2,348
<b>Net book value</b>		
At 31 December 2010	2,412	2,412
At 31 December 2009	2,640	2,640



# **ESB Hotels Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2010**

..... *continued*

### **8 Stocks**

	<b>2010</b>	<b>2009</b>
	<b>£ 000</b>	<b>£ 000</b>
Stocks	<u>69</u>	<u>82</u>

### **9 Debtors**

	<b>2010</b>	<b>2009</b>
	<b>£ 000</b>	<b>£ 000</b>
Trade debtors	277	249
Amounts owed by group undertakings	206	206
Other debtors	1	-
Prepayments and accrued income	<u>4,063</u>	<u>4,057</u>
	<u>4,547</u>	<u>4,512</u>

Included within amounts owed to group undertakings is a non-interest bearing loan to QMH Limited of £206,000 (2009 £206,000) This loan is repayable on demand, however, the company has no current intention of calling for repayment

### **10 Creditors: Amounts falling due within one year**

	<b>2010</b>	<b>2009</b>
	<b>£ 000</b>	<b>£ 000</b>
Trade creditors	362	364
Other creditors	191	225
Accruals and deferred income	552	602
Owed by/(from) parent undertakings	<u>12,125</u>	<u>9,729</u>
	<u>13,230</u>	<u>10,920</u>

Included within amounts owed to group undertakings is a non-interest bearing loan from QMH UK Limited of £556,000 (2009 £556,000) This loan is repayable on demand, however, the directors of QMH UK Limited have informed the company that they have no current intention of calling for repayment

# **ESB Hotels Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2010**

..... *continued*

### **11 Creditors. Amounts falling due after more than one year**

Creditors amounts falling due after more than one year includes the following liabilities, on which security has been given by the company

	<b>2010</b>	<b>2009</b>
	<b>£ 000</b>	<b>£ 000</b>
1 deferred share of £1	<u>          </u>	<u>          </u>

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.

### **12 Share capital**

**Allotted, called up and fully paid shares**

	<b>2010</b>		<b>2009</b>	
	<b>No. 000</b>	<b>£ 000</b>	<b>No. 000</b>	<b>£ 000</b>
1 Ordinary of £1 each	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### **13 Reserves**

	<b>Profit and loss account £ 000</b>	<b>Total £ 000</b>
At 1 January 2010	(3,673)	(3,673)
Loss for the year	<u>(2,516)</u>	<u>(2,516)</u>
At 31 December 2010	<u>(6,189)</u>	<u>(6,189)</u>

## ESB Hotels Limited

### Notes to the Financial Statements for the Year Ended 31 December 2010

..... continued

#### 14 Reconciliation of movement in shareholders' funds

	2010 £ 000	2009 £ 000
Loss attributable to the members of the company	(2,516)	(2,588)
Net reduction to shareholders' funds	(2,516)	(2,588)
Shareholders' deficit at 1 January	(3,673)	(1,086)
Shareholders' deficit at 31 December	<u>(6,189)</u>	<u>(3,674)</u>

#### 15 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 2010 amounted to £158.8 million (2009 £152.2million)

#### 16 Commitments

##### Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £100,000 (2009 £59,000)

##### Operating lease commitments

As at 31 December 2010 the company had annual commitments under non-cancellable operating leases as follows

Operating leases which expire

	2010 £ 000	2009 £ 000
<b>Land and buildings</b>		
Over five years	<u>4,004</u>	<u>4,008</u>
<b>Other</b>		
Within one year	17	27
Within two and five years	<u>-</u>	<u>2</u>
	<u>17</u>	<u>29</u>

#### 17 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.

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## **ESB Hotels Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2010**

*.. ..... continued*

#### **18 Ultimate parent company**

The company is controlled by QMH Limited 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. 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.