Registration number 2999276

ESB Hotels 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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ESB Hotels Limited

Contents

ESB Hotels 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

ESB Hotels 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 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 2011 amounted to £11 4 million (2010 £2 5 million)

The year end balance sheet position is set out in the balance sheet on page 8 The company's net liabilities as at 31 December 2011 increased from £6 2 million to net liabilities of £17 6 million reflecting the retained loss for the year of £11 4 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

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

ESB Hotels Limited

Directors' Report for the Year Ended 31 December 2011

.... *continued*

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 21 to these accounts

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&apos,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

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

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 of ESB Hotels Limited for the year ended 31 December 2011, set out on pages 7 to 18, 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 4), 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 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 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

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 it's 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 ESB Hotels 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 (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

21 March 2012

ESB Hotels Limited

Profit and Loss Account for the Year Ended 31 December 2011

	Note	2011 £ 000	2010 £ 000
Turnover		11,329	11,860
Cost of sales		(7,028)	(7,544)
Gross profit		4,301	4,316
Administrative expenses		(6,789)	(6,832)
Other operating income	4	(10,000)	-
Operating loss	2	(12,488)	(2,516)
Other interest receivable and similar income	7	1	-
Loss on ordinary activities before taxation		(12,487)	(2,516)
Tax on loss on ordinary activities	8	1,117	-
Loss for the financial year	16	(11,370)	(2,516)

Turnover and operating loss 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 2011

	Note	2011 £ 000	2010 £ 000
Fixed assets			
Tangible fixed assets	9	2,480	2,412
Current assets			
Stocks	10	72	69
Debtors	11	4,407	4,546
Cash at bank and in hand		11	13
		4,490	4,628
Creditors Amounts falling due within one year	12	(14,530)	(13,230)
Net current liabilities		(10,040)	(8,602)
Total assets less current liabilities		(7,560)	(6,190)
Provisions for liabilities	14	(10,000)	-
Net liabilities		(17,560)	(6,190)
Capital and reserves			
Called up share capital	15	-	-
Profit and loss account	16	(17,560)	(6,190)

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

M Rosenberg
Director

The notes on pages 9 to 18 form an integral part of these financial statements

ESB Hotels 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
The balance sheet set out on page 8 shows the company has net current liabilities of £10,040,000 and net liabilities of £17,560,000 at 31 December 2011 Included in these net current liabilities is £13,483,000 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

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

Turnover
Turnover is the total income receivable for goods supplied and services rendered, excluding VAT and similar sales taxes The principal revenue streams are for room accommodation and food and beverage sales which is recognised at the point at which the goods and services are delivered to the customer Revenue is also generated through leisure club membership fees which 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

Asset class	Depreciation method and rate
L ng 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

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

	2011 £ 000	2010 £ 000
Operating leases rentals	4,007	4,004
Depreciation of owned assets	576	590

3 Auditor's remuneration

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

4 Exceptional items

	2011 £ 000	2010 £ 000
Onerous leases	10,000	-

The exceptional charge is a provision for three onerous leases

5 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	200	204

Other departments represent the average number of employees in the company

The aggregate payroll costs were as follows

	2011 £ 000	2010 £ 000
Wages and salaries	3,171	3,156
Social security costs	204	217
Staff pensions	47	37
	3,422	3,410

6 Directors' remuneration

The fees of 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

7 Other interest receivable and similar income

	2011 £ 000	2010 £ 000
Bank interest receivable	1	-

8 Taxation

Tax on loss on ordinary activities

	2011 £ 000	2010 £ 000
Current tax		
Corporation tax credit	(1,117)	-

Factors affectıng current tax charge foı the year

Tax on loss on ordınary actıvıtıes for the year ıs hıgher than (2010 - hıgher than) the standard rate of corporatıon tax ın the UK of 26 5% (20 0 - 28%)

The dıfferences are reconcıled below

	2011 £ 000	2010 £ 000
Loss on ordınary actıvıtıes before taxatıon	(12,487)	(2,516)
Corporatıon tax at standard rate	(3,309)	(704)
Deprecıatıon for the perıod ın excess of capıtal allowances	152	165
Adjustments ın respect of prevıous perıods	2,650	-
Expenses not deductıble for tax purposes	3	1
Adjustments to tax charge ın respect of prevıous perıods	(613)	-
Utılısatıon of tax losses	-	538
Total current tax	(1,117)	-

Factors that may affect future tax chaıges

Losses avaılable but not recognısed, subject to agreement wıth the relevant tax authorıtıes to set agaınst future profits of the company amount to £4,795,000 (2010 £6,118,000)

The company has not recognısed any net deferred tax assets ın respect of losses avaılable of £3,971,000 (2010 £2,425,000) and Accelerated Capıtal Allowances of £810,000 (2010 £712,000) Subject to changes ın tax legıslatıon, the dırectors do not expect suffıcıent taxable profits to arıse to utılıse these tax losses and unclaımed allowances, ın the foreseeable future Gıven curıent economıc cırcumstances, there ıs currently ınsuffıcıent evıdence to support recognıtıon of a deferred tax asset

9 Tangible fixed assets

Tangible fixed assets

	Fixtures and fittings £ 000	Total £ 000
Cost or valuation		
At 1 January 2011	4,760	4,760
Additions	644	644
At 31 December 2011	5,404	5,404
Depreciation		
At 1 January 2011	2,348	2,348
Charge for the year	576	576
At 31 December 2011	2,924	2,924
Net book value		
At 31 December 2011	2,480	2,480
At 31 December 2010	2,412	2,412

10 Stocks

	2011 £ 000	2010 £ 000
Stocks	72	69

11 Debtoıs

	2011 £ 000	2010 £ 000
Trade debtors	351	277
Amounts owed by group undertakıngs	-	205
Other debtors	-	1
Prepayments and accrued ıncome	4,056	4,063
	4,407	4,546

Included wıthın amounts owed to group undertakıngs ıs a non-ınterest bearıng loan to QMH Lımıted of £206,000 (2010 £206,000) Thıs loan ıs repayable on demand, on gıvıng thırty days notıce, however, the company has no current ıntentıon of callıng for repayment

12 Credıtors: Amounts fallıng due withın one year

	2011 £ 000	2010 £ 000
Trade credıtors	284	362
Amounts owed to group undertakıngs	13,483	12,125
Other credıtors	283	191
Accruals and deferred ıncome	480	552
	14,530	13,230

ESB Hotels Limited

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

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Included within amounts owed to group undertakings is a non-interest bearing loans from QMH UK Limited of £556,000 (2010 £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

13 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

	2011 £ 000	2010 £ 000
1 deferred share of £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

14 Provisions

	Other provision £ 000	Total £ 000
At 1 January 2011	-	-
Charged to the profit and loss account	10,000	10,000
At 31 December 2011	10,000	10,000

15 Share capıtal

Allotted, called up and fully paıd shares

	2011		2010	
	No	**£**	**No.**	**£**
1 Ordınary of £1 each				

16 Reserves

	Profit and loss account £ 000	Total £ 000
At 1 January 2011	(6,190)	(6,190)
Loss for the year	(11,370)	(11,370)
At 31 December 2011	(17,560)	(17,560)

17 Reconcılıation of movement in shaı eholders' funds

	2011 £ 000	2010 £ 000
Loss attrıbutable to the members of the company	(11,370)	(2,516)
Net reductıon to shareholders' funds	(11,370)	(2,516)
Shareholders' deficıt at 1 January	(6,190)	(3,674)
Shareholders' deficıt at 31 December	(17,560)	(6,190)

18 Contıngent lıabılıtıes

On 24 November 2004 the company entered ınto a guarantee provıdıng fixed and floatıng charges over ıts assets, together wıth certaın other subsıdıary undertakıngs, to secure a mezzanıne loan held by QMH Lımıted, whıch at 31 December 2011 amounted to £157 6 mıllıon (2010 £158 8 mıllıon)

19 Commitments

Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £7,000 (2010 - £100,000)

Operating lease commitments

As at 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows

Operating leases which expire

	2011 £ 000	2010 £ 000
Land and buildings		
Over five years	4,006	4,004
Other		
Within one year	17	17
Within two and five years	1	-
	18	17

20 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

21 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 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