

Marston Hotels Holdings Limited
Directors' report and financial
statements

Registered number 3948742

1 January 2012



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Directors and advisors

Executive directors

Michael Purtill FCA Managing Director
Ian Goulding BSc ACA Finance Director

Secretary and registered office

Ian Goulding
Wellington House
Cliffe Park
Bruntcliffe Road
Morley
Leeds
LS27 0RY

Registered auditor

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Solicitors

DLA Piper UK LLP
Princes Exchange
Princes Square
Leeds
LS1 4BY

Bankers

Irish Bank Resolution Corporation Limited
10 Old Jewry
London
EC2R 8DN

Directors' report

The directors present their directors' report and financial statements for the 52 week year ended 1 January 2012

Principal activity and business review

The principal activity of the company is that of an investment holding company

The profit and loss account is set out on page 7

The directors consider that the financial position at 1 January 2012 was satisfactory and they expect this to be maintained for the foreseeable future

Going concern

As disclosed in the Post Balance Sheets Event note 15, QHotels Group Limited the ultimate parent company was placed into administration on 16 January 2013, all other subsidiary companies were unaffected. It has been replaced by a new intermediate parent company, QHotels Holdings Limited, which acquired the entire issued share capital of each of the subsidiaries of QHotels Group Limited. QHotels Holdings Limited is party to the group's bank facility agreement with Irish Bank Resolution Corporation and will act as the parent to the remaining companies in the group. Future consolidated accounts of the group from 16 January 2013 will be prepared for QHotels Holdings Limited.

The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiary undertakings. The directors, having assessed the responses of the directors of the company's parent, QHotels Holdings Limited, to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of QHotels Holdings Limited and its subsidiary undertakings to continue as a going concern or its ability to continue with the current banking facilities which were agreed on 16 January 2013.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of QHotels Holdings Limited, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Principal risks and uncertainties

Financing and interest rates

The company finances its activities through loans provided by fellow group undertakings on commercial terms.

Dividends

The directors do not recommend the payment of a dividend (2010 £nil)

Directors

The directors of the company who served during the year were

Michael Purtill

Ian Goulding

David Taylor (resigned 18 July 2011)

All directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Directors' report *(continued)*

Charitable and political donations

No contributions were made by the company for either charitable or political purposes (2010 *£nil*)

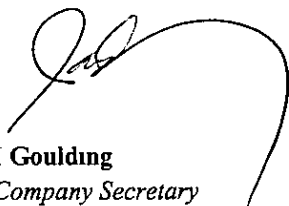
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



I Goulding
Company Secretary

31 January 2013

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 year. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

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Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditor's report to the members of Marston Hotels Holdings Limited

We have audited the financial statements of Marston Hotels Holdings Limited for the year ended 1 January 2012 set out on pages 7 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 1 January 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with UK 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 Marston Hotels Holdings 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



Richard Evans (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW

31 January 2013

Profit and loss account

for the 52 week year ended 1 January 2012

	Note	Year ended 1 January 2012 £'000	Year ended 2 January 2011 £'000
Interest receivable and similar income	2	2,757	1,895
Interest payable and similar charges	3	(19,588)	(14,894)
Impairment of fixed asset investments	4	(14,717)	-
Impairment reversal of fixed asset investments	4	-	7,125
Loss on ordinary activities before taxation	4	(31,548)	(5,874)
Tax on loss on ordinary activities	5	4,460	3,640
Loss for the financial year	11	(27,088)	(2,234)

All of the company's operations during the year shown above represent continuing operations

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

Statement of total recognised gains and losses

for the 52 week year ended 1 January 2012

	Note	Year ended 1 January 2012 £'000	Year ended 2 January 2011 £'000
Loss for the year	11	(27,088)	(2,234)
Unrealised loss on revaluation of fixed asset investments	12	-	(4,772)
Total gains and losses for the year		(27,088)	(7,006)

Balance sheet
as at 1 January 2012

	<i>Note</i>	As at 1 January 2012 £'000	As at 2 January 2011 £'000
Fixed assets			
Investments	6	124,802	139,519
Current assets			
Debtors	7	45,801	33,266
Creditors amounts falling due within one year	8	(252,495)	(227,589)
Net current liabilities		(206,694)	(194,323)
Total assets less current liabilities		(81,892)	(54,804)
Net liabilities		(81,892)	(54,804)
Capital and reserves			
Called up share capital	10	169	169
Revaluation reserve	11	2,836	2,836
Profit and loss account	11	(84,897)	(57,809)
Total equity shareholders' deficit	12	(81,892)	(54,804)

The financial statements were approved by the board of directors on 31 January 2013 and were signed on its behalf by


I Goulding
 Finance Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules modified to include the revaluation of certain investments

The financial statements have been prepared for the 52 weeks ended 1 January 2012 (*2010 52 weeks ended 2 January 2011*) The group adopts a variable reference date and the financial statements are prepared for a fiscal year to the Sunday closest to 31 December each year The term "year" within the financial statements refers to the fiscal year as noted herein

Going concern

As disclosed in the Post Balance Sheets Event note 15, QHotels Group Limited the ultimate parent company was placed into administration on 16 January 2013, all other subsidiary companies were unaffected It has been replaced by a new intermediate parent company, QHotels Holdings Limited, which acquired the entire issued share capital of each of the direct subsidiaries of QHotels Group Limited QHotels Holdings Limited is party to the group's bank facility agreement with Irish Bank Resolution Corporation and will act as the parent to the remaining companies in the group Future consolidated accounts of the group from 16 January 2013 will be prepared for QHotels Holdings Limited

QHotels Holdings Limited, acting as parent to all group companies other than QHotels Group Limited, has indicated that for at least 12 months from the date of approval of these financial statements it will continue to make available such funds as are needed by the company In particular it will not seek repayment of the amounts currently made available by it or any other fellow subsidiary undertaking

The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiary undertakings The directors, having assessed the responses of the directors of the company's parent, QHotels Holdings Limited, to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of QHotels Holdings Limited and its subsidiary undertakings to continue as a going concern or its ability to continue with the current banking facilities which were signed on 16 January 2013

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of QHotels Group Limited and QHotels Holdings Limited, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future Accordingly they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Basis of accounting

The company has not prepared consolidated financial statements for the period as permitted by Section 400 of the Companies Act 2006 These financial statements present information about the company as an individual undertaking and not about its group

As a wholly owned subsidiary, the company has availed itself of the exemption under Financial Reporting Standard Number 8, not to disclose intra-group transactions

Under Financial Reporting Standard Number 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds of it being a wholly owned subsidiary of QHotels Group Limited

Notes (continued)

1 Accounting policies (continued)

Investments

Investments acquired before 1 April 1999 are stated at net asset value as at 31 March 1999, unless the current net asset value is less than this value in which case the current net asset value is used. Investments acquired since 31 March 1999 are stated at cost.

The carrying value of fixed asset investments is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 Interest receivable and similar income

	Year ended 1 January 2012 £'000	Year ended 2 January 2011 £'000
Interest receivable from group undertakings	2,757	1,895

3 Interest payable and similar charges

	Year ended 1 January 2012 £'000	Year ended 2 January 2011 £'000
Interest payable to group undertakings	19,588	14,894

4 Loss on ordinary activities before taxation

The directors received no remuneration in respect of the year ended 1 January 2012 (2010 £nil).

The audit fee for the company for the current and prior year was borne by QHotels Services Limited, a fellow subsidiary. The company paid no other fees to the auditors for other services (2010 £nil).

The exceptional items in the year were £14,717,000 (2010 £nil) relating to the impairment of fixed asset investments a reversal of prior years' impairments of fixed asset investments of £Nil (2010 £7,125,000).

Notes (continued)

5 Tax on loss on ordinary activities

	Year ended 1 January 2012 £'000	Year ended 2 January 2011 £'000
Current year		
Group relief credit	(4,460)	(3,640)
	<hr/>	<hr/>
Tax credit in year	(4,460)	(3,640)
	<hr/>	<hr/>

The current tax credit for the year is lower (2010 higher) than the standard rate of corporation tax in the UK 26.5% (2010 28%). The differences are explained below

	Year ended 1 January 2012 £'000	Year ended 2 January 2011 £'000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(31,548)	(5,874)
	<hr/>	<hr/>
Current tax at 26.5% (2010 28%)	(8,360)	(1,645)
	<hr/>	<hr/>
<i>Effects of</i>		
Non-qualifying impairment of fixed asset investments	3,900	-
Non-qualifying impairment reversal of fixed asset investment	-	(1,995)
	<hr/>	<hr/>
Total current tax credit (see above)	(4,460)	(3,640)
	<hr/>	<hr/>

Notes (continued)

6 Fixed asset investments

The company's investments in subsidiary undertakings are as follows

	Shares in subsidiary undertakings £'000
<i>Cost or valuation</i>	
At beginning and end of year	147,006
<i>Amortisation</i>	
At beginning of year	(7,487)
Impairment	(14,717)
At end of year	(22,204)
<i>Net book value</i>	
At 1 January 2012	124,802
At 2 January 2011	139,519

The company has investments of

£16,856,796 (2010 £21,285,896) at cost less impairment, representing the whole of the issued ordinary share capital of Marston Hotels Limited, incorporated in England, which operates and manages a group of hotels

£107,945,206 (2010 £118,234,019) at cost less impairment, representing the whole of the issued ordinary share capital of MH Freeholds Limited, incorporated in England, which is a property investment holding company

7 Debtors

	1 January 2012 £'000	2 January 2011 £'000
Amounts owed from group undertakings	45,801	33,266

8 Creditors: amounts falling due within one year

	1 January 2012 £'000	2 January 2011 £'000
Amounts due to group undertakings	252,495	227,589

9 Deferred tax asset

The amounts unprovided for deferred tax assets are set out below

	1 January 2012 £'000	2 January 2011 £'000
Short term timing differences	1,242	1,369

The deferred tax assets have not been provided for on the grounds of the uncertainty of when they may be able to be utilised

Notes (continued)

10 Called up share capital

	1 January 2012 £'000	2 January 2011 £'000
<i>Allotted, called up and fully paid</i>		
168,710 ordinary shares of £1 each	169	169

11 Reserves

	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At beginning of year	2,836	(57,809)	(54,973)
Loss for the year	-	(27,088)	(27,088)
At end of year	2,836	(84,897)	(82,061)

12 Reconciliation of movements in shareholders deficit

	1 January 2012 £'000	2 January 2011 £'000
Opening shareholders' deficit	(54,804)	(47,798)
Loss for the year	(27,088)	(2,234)
Devaluation arising on impairment of tangible fixed asset investments	-	(4,772)
Closing shareholders' deficit	(81,892)	(54,804)

13 Ultimate controlling party

The entire issued capital of the company is owned by QHotels Investments Limited. The ultimate parent company is QHotels Group Limited, a company incorporated in Great Britain and registered in England and Wales. The Group accounts of QHotels Group Limited can be obtained from Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3UZ. Until 24 December 2012, the ultimate controlling party of QHotels Group Limited was Alchemy Partners Nominees Limited on behalf of investors in the Alchemy Investment Plan. The Alchemy Investment Plan is managed by Alchemy Partners (Guernsey) Limited. As referred to in the post balance sheet events note from that date the ultimate controlling parties of QHotels Group Limited are Michael Purtill and Ian Goulding in conjunction with David Chubb and Michael Jervis of PricewaterhouseCoopers LLP as the joint administrators.

14 Contingent liabilities

The company is a participant in QHotels Limited's term loan borrowings whereby these borrowings are secured by fixed and floating charges over the company's assets.

Notes (continued)

15 Post balance sheet events

On 24 December 2012 Michael Purtill and Ian Goulding each acquired, for £1 each, 50% of the entire shareholding of 4,031,772 shares Alchemy Partners Nominees Limited had in QHotels Group Limited. On the same date Michael Purtill and Ian Goulding each acquired, for £3 each, 50% of the entire holding Alchemy Partners Nominees Limited had in QHotels Limited's £5,424,733 Secured Loan Notes, £6,823,700 PIK Loan Notes and £11,751,567 Discounted Secured Loan Notes. On the same date the security over all of these loan notes was discharged.

On 16 January 2013 the group concluded renegotiating certain terms and conditions of its facility agreement with Irish Bank Resolution Corporation (IBRC), the amended agreement was signed on that date. The key changes in the facility agreement are that the loan term was extended until 30 November 2015 and new loan repayments were set with reference to the group's anticipated cash flows.

Conditional on the signing of the amended facility agreement was IBRC's requirement to appoint an administrator to QHotels Group Limited, the ultimate parent company, all other subsidiary companies were unaffected. David Chubb and Michael Jervis, of PWC, were appointed administrators of QHotels Group Limited on the same date as the amended facility agreement was signed.

Immediately prior to the appointment of David Chubb and Michael Jervis, QHotels Holdings Limited, incorporated on 11 January 2013 and a wholly owned subsidiary of QHotels Group Limited, acquired the entire issued share capital of each of the direct subsidiaries of QHotels Group Limited, namely, QHotels Limited, QHotels Services Limited, QHotels Investments Limited and QHotels Packages Limited for £1 each.