

# MHG Senior Borrower Limited

## Directors' report and financial statements

For the year ended 31 December 2014

*Registered number: 08313665*

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# MHG Senior Borrower Limited

## Directors' report and financial statements

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# MHG Senior Borrower Limited

## Directors and other information

### Directors

Liam Cunningham  
Carole Walker

### Secretary

Carole Walker

### Registered office

1 Vine Street  
Mayfair  
London  
W1J 0AH

### Bankers

Barclays Bank  
1 Churchill Place  
London  
E14 5HP

Allied Irish Bank (GB)  
City Office  
9 – 10 Angel Court  
London  
EC2R 7AB

### Auditor

KPMG  
Chartered Accountants  
1 Stokes Place  
St Stephen's Green  
Dublin 2

### Solicitors

DLA  
3 Noble Street  
London  
EC2V 7EE

# MHG Senior Borrower Limited

## Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2014.

### Activities

The principal activity of the company is that of a holding company of companies operating in the hotel and restaurant industry.

### Review of developments and future prospects

The profit and loss account is set out on page 8. The loss for the year to 31 December 2014 before taxation was £36.9 million (2013: £37.3 million).

The directors expect that the present activity level will at least be sustained for the foreseeable future.

### Dividends

During the year no dividends have been paid or proposed (2013: nil).

### Directors and their interests

The directors who held office during the year were as follows:

Stephen Alden	Resigned 21 July 2015
Liam Cunningham	Appointed 4 June 2015
Carole Walker	

The directors and secretary do not hold any material interests in the shares of the company or any other company in the group.

### Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

### Political contributions

The company made no political contributions during the year.

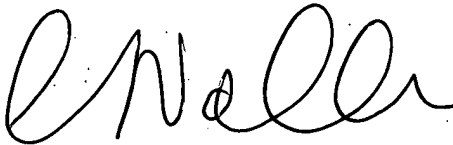
# MHG Senior Borrower Limited

## Directors' report (*Continued*)

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG will therefore continue in office.

Approved by the Board of Directors and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'C Walker', written over the printed name and title.

Carole Walker  
Director

9 November 2015

# MHG Senior Borrower Limited

## 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.

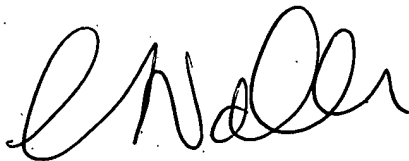
Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- make judgements 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.

On behalf of the board



Carole Walker  
Director

9 November 2015



**KPMG**  
**Audit**  
1 Stokes Place  
St. Stephen's Green  
Dublin 2  
Ireland

## **Independent auditor's report to the members of MHG Senior Borrower Limited**

We have audited the financial statements of MHG Senior Borrower Limited for the year ended 31 December 2014 which comprise the profit and loss account, balance sheet and related notes. 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 Financial Reporting Council's Ethical Standards for auditors.

### **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 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the case of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 31 December 2014 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.



**KPMG**  
**Audit**  
1 Stokes Place  
St. Stephen's Green  
Dublin 2  
Ireland

**Independent auditor's report to the members of MHG Senior Borrower Limited**  
*(continued)*

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report is consistent with the financial statements.

**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.

*Laura Gallagher (Senior Statutory Auditor)*  
**For and on behalf of KPMG, Statutory Auditor**  
*Chartered Accountants*  
Stokes Place  
St. Stephens Green  
Dublin 2  
Ireland

9 November 2015



# MHG Senior Borrower Limited

## Statement of accounting policies *for the year ended 31 December 2014*

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

### **Basis of preparation and going concern**

The financial statements are prepared in Sterling in accordance with generally accepted accounting principles under the historical cost convention and comply with financial reporting standards of the Financial Reporting Council.

The financial statements have been prepared on a going concern basis.

### **Cash flow statement**

The company's ultimate parent undertaking publishes financial statements which are publicly available. Those financial statements include a consolidated cash flow statement. For this reason the exemption requirements of FRS 1 (Revised) "Cash Flow Statements" are met and the company has therefore not prepared a cash flow statement.

### **Group accounts**

The company is exempt from the obligation to prepare consolidated accounts by virtue of Section 400 of the Companies Act 2006 in that it is a wholly owned subsidiary of its ultimate parent and controlling undertaking which itself prepares group accounts which are publicly available. These financial statements are therefore entity financial statements and are not consolidated financial statements.

### **Investment in subsidiary**

Investment in subsidiary is stated at cost less any provision for impairment in value.

### **Derivative financial instruments**

Derivative financial instruments, including interest rate swaps, are used to hedge the Group's interest rate exposures and are accounted for on the same basis as the underlying liability or cash flow being hedged, with the resulting income or expense being recognised in the profit and loss account.

# MHG Senior Borrower Limited

Registered number: 08313665

## Profit and loss account for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Administrative expenses	2	<u>(4)</u>	<u>(248)</u>
<b>Operating loss</b>		<b><u>(4)</u></b>	<b><u>(248)</u></b>
Interest payable and similar charges	3	<u>(36,932)</u>	<u>(37,058)</u>
<b>Loss on ordinary activities before tax</b>		<b><u>(36,936)</u></b>	<b><u>(37,306)</u></b>
Tax on loss on ordinary activities	4	<u>-</u>	<u>-</u>
<b>Loss for the financial year</b>	<b>10/11</b>	<b><u>(36,936)</u></b>	<b><u>(37,306)</u></b>

All activities in the current year are derived from continuing operations. There are no recognised gains or losses in the year other than the profit for the year.

# MHG Senior Borrower Limited

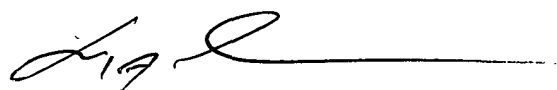
Registered number: 08313665

## Balance sheet at 31 December 2014

	Note	2014 £'000	2013 £'000
<b>Fixed assets</b>			
Financial fixed assets	5	1,000,000	1,000,000
<b>Creditors: amounts falling due within one year</b>	6	<u>(685,148)</u>	<u>(651,847)</u>
<b>Net current liabilities</b>		<u>(685,148)</u>	<u>(651,847)</u>
<b>Total assets</b>		314,852	348,153
<b>Creditors: amounts falling due after one year</b>	7	<u>(389,094)</u>	<u>(385,459)</u>
<b>Net liabilities</b>		<u><u>(74,242)</u></u>	<u><u>(37,306)</u></u>
<b>Capital and reserves</b>			
Called up share capital	9	-	-
Profit and loss account	10	<u>(74,242)</u>	<u>(37,306)</u>
<b>Deficit on shareholders' funds</b>	11	<u><u>(74,242)</u></u>	<u><u>(37,306)</u></u>

These financial statements were approved by the Board of Directors on 9 November 2015.

Signed on behalf of the Board of Directors



Liam Cunningham  
Director  
9 November 2015



Carole Walker  
Director  
9 November 2015

# MHG Senior Borrower Limited

## Notes

*forming part of the financial statements*

### 1 Staff numbers and costs

The company has no employees. The directors receive no remuneration for their services to this company. The audit fee is borne by another group company.

### 2 Administrative expenses

During the year, the company incurred an exceptional charge of £4,000 (2013: £247,967) in respect of the legal/professional fees relating to the company's new loan facility.

### 3 Interest payable and similar charges

	2014 £'000	2013 £'000
Bank loans	17,234	17,245
Intercompany loans	16,063	16,178
Amortisation of loan issue expenses	<u>3,635</u>	<u>3,635</u>
	<u>36,932</u>	<u>37,058</u>

The intercompany interest relates to the interest charged on intercompany creditor.

The company has entered into an interest rate contract to manage the risk on variable interest rate movements expiring up to December 2015. See note 8 for further details.

# MHG Senior Borrower Limited

## Notes (continued)

### 4 Tax charge on profit on ordinary activities

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

The corporation tax assessment for the year is different from that resulting from applying the standard rate of corporation tax in the UK of 21.49% (2013 23.25%). The differences are explained below:

	2014 £'000	2013 £'000
Loss on ordinary activities before tax	(36,936)	(37,306)
Tax at 21.49% (2013: 23.25%) thereon:	(7,937)	(8,676)
<b>Effects of:</b>		
Group relief provided for nil consideration	7,898	8,802
Tax losses not utilised	-	105
Expenses not deductible	39	(231)
<b>Current tax charge for the year</b>	<u>-</u>	<u>-</u>

#### Factors that may affect the future tax charge

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset/liability at the balance sheet date has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

### 5 Financial fixed assets

	2014 £'000	2013 £'000
Investment in shares in subsidiary undertakings	1,000,000	1,000,000

On 28 December 2012 the company purchased the shares in a number of subsidiary companies from Coroin Limited, its parent, for a consideration of £1 billion, reflecting the market value of those holdings

# MHG Senior Borrower Limited

## Notes (continued)

### 5 Financial fixed assets (continued)

The company has a shareholding in the following principal companies:

Subsidiary undertaking	Country of Incorporation and operation	Activity	Shareholding (ordinary shares)
Claridge's Hotel Holdings Limited	Great Britain	Holding Company	100% (direct)
The Berkeley Hotel Limited	Great Britain	Hotel Operations	100% (direct)
The Connaught Hotel Limited	Great Britain	Hotel Operations	100% (direct)
Maybourne Hotels Limited	Great Britain	Management Services Company	100% (direct)
Claridge's Hotel Limited	Great Britain	Hotel Operations	100% (indirect)
Connaught F&B Limited	Great Britain	Food and Beverage Operations	100% (indirect)
Brook Street 1 Limited	Great Britain	Holding Company	100% (indirect)
Brook Street 2 Limited	Great Britain	Holding Company	100% (indirect)
Goldrange Properties Limited	Great Britain	Ownership of Property	100% (indirect)

The registered office of all subsidiary undertakings is 1 Vine Street, Mayfair, London, W1J 0AH.

### 6 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Amounts owed to group companies	681,894	648,617
Accruals and deferred income	<u>3,254</u>	<u>3,230</u>
	<u>685,148</u>	<u>651,847</u>

### 7 Creditors: amounts falling due after one year

	2014 £'000	2013 £'000
Bank loans (note 8)	<u>389,094</u>	<u>385,459</u>
	<u>389,094</u>	<u>385,459</u>

# MHG Senior Borrower Limited

## Notes (continued)

### 8 Bank and other loans

	2014 £'000 Group	2013 £'000 Group
<i>Maturity profile of financial liabilities</i>		
Due within one year	-	-
Due between one and two years	-	-
Due between two and five years	389,094	385,459
Due after five year	-	-

As at 31 December 2014, total bank loans amounted to £400 million.

Offset against bank loans are loan arrangement fees of £18.2 million which, in line with the company's accounting policies, are amortised over the period of the loan. The amount amortised in the year ended 31 December 2014 was £3,635,000 (2013: £3,635,000).

At 31 December 2014 the fair value of the company's interest rate agreements, in place over certain bank loans, was an asset of £2.2 million. In line with accounting standards and the company accounting policy, this asset is not reflected on the balance sheet.

The security package for the bank loans comprises cross company guarantees supported by debentures giving a fixed and floating charge over all the assets of the group companies.

In October 2015 the group successfully negotiated new loan facilities with new lenders which are repayable in October 2022. The financial impact of this transaction will be reflected in the group financial statements for the year ended 31 December 2015.

### 9 Called up share capital

	2014 £	2013 £
<b>Authorised</b>		
1 ordinary share of £1	<u>1</u>	<u>1</u>
<b>Called up, allotted and fully paid</b>		
1 ordinary share of £1	<u>1</u>	<u>1</u>

On incorporation the company issued 1 share for £1 cash consideration.

### 10 Reserves – profit and loss account

	2014 £'000	2013 £'000
At beginning of year	(37,306)	-
Loss for the year	(36,936)	(37,306)
<b>At end of year</b>	<u>(74,242)</u>	<u>(37,306)</u>

# MHG Senior Borrower Limited

## Notes (continued)

### 11 Reconciliation of movement in shareholders' funds

	2014 £'000	2013 £'000
A beginning of year	(37,306)	-
Loss for the year	<u>(36,936)</u>	<u>(37,306)</u>
At end of year	<u>(74,242)</u>	<u>(37,306)</u>

### 12 Related party transactions

The company is exempt under the provisions of paragraph 3, Financial Reporting Standard 8 "Related Party Disclosures" from disclosing details of transactions with Group related parties.

### 13 Ultimate parent company

At 31 December 2014 the company's immediate parent company was MHG Senior Holdco Limited, a company incorporated in Great Britain and registered in England and Wales.

The company's ultimate parent company is Coroin Limited, a company incorporated in Great Britain and registered in England and Wales. This is the smallest and largest group in which the results of the company are consolidated. Copies of those statutory accounts will also be available from its registered office, 1 Vine Street, Mayfair, London, W1J 0AH.

### 14 Post balance sheet events

In January 2015 the group successfully renegotiated loan facilities with existing lenders. The loan term was extended by two years to 2019.

In April 2015 the entire share capital of Coroin Limited, the company's ultimate parent company, was acquired by Constellation Hotels, which is owned by Qatar Holdings, the sovereign wealth fund controlled by the Qatari royal family. The change in ownership triggered a clause in the existing loan facilities which required the new owners to renegotiate loan facilities. Discussions with existing lenders were concluded in September 2015 and the group loan facilities were successfully renewed.

### 15 Approval of financial statements

The financial statements were approved by the board on 9 November 2015.