

EDWARDIAN HOTEL INVESTMENTS LTD

**FINANCIAL STATEMENTS FOR THE PERIOD ENDED
31 DECEMBER 2013**

Company Registration Number 08664048



EDWARDIAN HOTEL INVESTMENTS LTD

FINANCIAL STATEMENTS PERIOD ENDED 31 DECEMBER 2013

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EDWARDIAN HOTEL INVESTMENTS LTD

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2013.

Business review

The principal activity of the company is that of an investment holding company. The company is a wholly owned subsidiary of Edwardian Group Ltd, which carried out major refinancing of its borrowing facilities during the year. The company was incorporated on 27th August 2013 to facilitate certain borrowing arrangements and commenced activities on 4th December 2013. It has five subsidiaries which hold and operate hotels in London.

Results and performance

The company made a loss before taxation of £382,000 for the period.

Business environment

The company has secured bank loans of £160.0 million for a term of seven years as part of group refinancing. The directors consider this to be a favourable arrangement in the current environment.

Strategy

The company is a wholly owned subsidiary of Edwardian Group Limited, which owns and operates 10 hotels in central London and hotels at Heathrow, Central Manchester and London Docklands. The group's expertise and historical success lies in the development and operations of hotels, primarily in London. Its strategy is to continue to build on that expertise.

Key performance indicators

The company receives regular reports purchased by the group which compare the performance of the hotels in its subsidiaries on achieved room rate, occupancy and revpar against a selected group of hotels which are broadly comparable in location and quality. These reports are confidential. Each hotel in the company's subsidiaries performed well in comparison with its selected group.

Principal risks and uncertainties

The Companies Act 2006 requires that the strategic report contains a description of the principal risks and uncertainties facing the company. Like most businesses, the company is subject to a variety of risks which could have a negative impact on its performance and financial condition, including the reputational damage that might arise from inadvertent breach of one or more provisions of the substantial volume of new and revised legislation and regulations that continue to flow. The Board is responsible for the company's system of internal control and risk management, and for reviewing its effectiveness. In discharging and delegating that responsibility, the Board has regard to the balance of risk, cost and opportunity.

This section describes some of the risks that could materially affect the company's business. The risks below are not the only ones that the company faces. Some risks are not yet known to the company and some that it does not currently believe to be material could later turn out to be material. All such risks could materially affect the company's business.

The company has entered into a fixed rate loan for the entire term of the loan. If the loan is repaid before scheduled repayments dates the company would incur cancellation costs which would depend on current interest rates at that time.

EDWARDIAN HOTEL INVESTMENTS LTD

STRATEGIC REPORT- 2013 (CONT'D)

Principal risks and uncertainties – cont'd

This loan is secured by guarantees and fixed and floating charges over the assets of its subsidiaries. It is therefore reliant on the trading performance of its subsidiaries for compliance with its financial covenants. The hotels of the subsidiaries are located in London so that profitability is dependent on the strength of the London market. The trading at these hotels is particularly exposed to the effects of further terrorist incidents or other events such as closure of airports by volcanic ash which could materially impact on the trading if the effect were prolonged. Whilst these subsidiaries have insurance against terrorism damage directly at each of its hotels but it is not possible to insure against indirect effects. Fortunately demand for hotel services and particularly room occupancy comes from many sources of business and many countries.

Further, the company's subsidiaries are reliant upon the reservation system of Carlson, the franchisor of the Radisson brand and system. In common with other franchisees it is exposed to the risk of failures in that system as well as in its own associated IT systems. The company and its subsidiaries have only indirect influence over steps Carlson might take to mitigate such risks. While the Group to which the company belongs has the benefit of long term agreements with Carlson which were further strengthened in 2012, it is exposed to the possibilities of interruption in the short term including inadequate disaster recovery arrangements, and/or to inadequate continued investment in this technology, leading to loss of competitive position in its distribution channels which are continually changing and important to revenues and to the control of the supply, presentation and price of its room inventory.

Fixed assets

The hotels in the subsidiaries were valued as at May 2013 by CBRE Hotels Ltd as part of the process of agreeing the new loan facilities of the company. These values, which showed substantial increment over book values, have been incorporated in the accounts of the subsidiaries as at 31 December 2013. As the company's investments in the subsidiaries have been revalued as at 31 December 2013 to the net assets of the subsidiaries, there is an addition of £25.2 million to the revaluation reserves.

Future developments

The company's subsidiaries will continue to maintain and enhance their hotels and the services to the high standards demanded for quality hotels to ensure they remains competitive and continue to achieve trading performance at a level where there is no threat to compliance of the loan covenants and therefore allows the group to continue with its development strategy.

By Order of the Board



V Wason
Company Secretary

18 June 2014

EDWARDIAN HOTEL INVESTMENTS LTD

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the financial statements of the company for the period ended 31 December 2013.

Dividends

No dividends were paid or declared for the period.

Results

The company's financial position at the end of the period is shown in the attached financial statements.

Directors

The directors who served the company during the period were as follows:

Mr J Singh (Appointed on 27 August 2013)

Mr J R Morley (Appointed on 27 August 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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under that law they must approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that period.

In preparing those 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 proper 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 to 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.

EDWARDIAN HOTEL INVESTMENTS LTD

DIRECTORS REPORT – 2013 (CONT'D)

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.

Auditors

Messrs KPMG LLP and SDC (2012) Ltd practising as Shah Dodhia & Co were appointed as joint auditors and pursuant to Section 487(2) of the Companies Act 2006, the auditors will be deemed to be re-appointed and will therefore continue in office as joint auditors.

Registered office:

140 Bath Road
Hayes
Middx
UB3 5AW

18 June 2014

By Order of the Board



V Wason
Company Secretary

EDWARDIAN HOTEL INVESTMENTS LTD

REPORT OF THE INDEPENDENT JOINT AUDITORS' KPMG LLP AND SDC (2012) LIMITED PRACTISING AS SHAH DODHIA & CO TO THE MEMBERS OF EDWARDIAN HOTEL INVESTMENTS LTD

We have audited the financial statements (the “financial statements”) of Edwardian Hotel Investments Ltd for the period ended 31 December 2013 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 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 Financial Reporting Council'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 31 December 2013 and of its loss for the period 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

EDWARDIAN HOTEL INVESTMENTS LTD

REPORT OF THE INDEPENDENT JOINT AUDITORS' KPMG LLP AND SDC (2012) LIMITED PRACTISING AS SHAH DODHIA & CO TO THE MEMBERS OF EDWARDIAN HOTEL INVESTMENTS LTD (CONT'D)

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.
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime.



Mark Summerfield
Senior Statutory Auditor
for and on behalf of:
KPMG LLP, Statutory Auditor
15 Canada Square
London E14 5GL

Date: 19 June 2014



Satish Shah
Senior Statutory Auditor
for and on behalf of:
SDC (2012) Ltd practising as
Shah Dodhia & Co, Statutory Auditor
173 Cleveland Street
London W1T 6QR

Date: 19 June 2014

EDWARDIAN HOTEL INVESTMENTS LTD**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 2013**

	Note	Period from 27 Aug 13 to 31 Dec 13 £'000
TURNOVER		—
Administrative expenses		10
OPERATING LOSS	3	(10)
Interest receivable	4	422
Interest payable and similar charges	5	(794)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(382)
Tax credit on loss on ordinary activities	6	79
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION BEING RETAINED LOSS FOR THE FINANCIAL PERIOD		(303)

All of the activities of the company are classed as continuing. Other than the loss for the period the company had further recognised gains and losses as disclosed in the Statement of Total Recognised Gains and Losses on Page 8.

The notes on pages 10 to 14 form part of these financial statements.

EDWARDIAN HOTEL INVESTMENTS LTD
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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD ENDED 31 DECEMBER 2013

	2013 £'000
Loss for the financial period	(303)
Unrealised gains on revaluation of investments in subsidiaries	25,218
Total recognised gains for the period	<u>24,915</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE PERIOD ENDED 31 DECEMBER 2013

	2013 £'000
Issue of shares at a premium	75,000
Loss for the financial period	(303)
Other net unrealised gains	25,218
Closing Shareholders' Funds	<u>99,915</u>

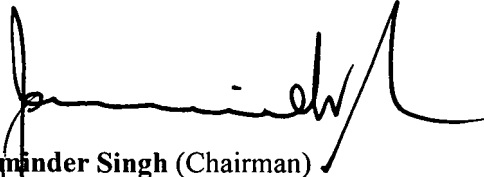
The notes on pages 10 to 14 form part of these financial statements.

EDWARDIAN HOTEL INVESTMENTS LTD

BALANCE SHEET AT 31 DECEMBER 2013

	Note	2013 £'000	£'000
FIXED ASSETS			
Investments	7		172,156
CURRENT ASSETS			
Debtors (including £170,518,000) due after more than one year)	8	173,218	
CREDITORS: Amounts falling due within one year	9	(934)	
NET CURRENT ASSETS			<u>172,284</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>344,440</u>
CREDITORS: Amounts falling due after more than one year	10		(244,525)
NET ASSETS			<u><u>99,915</u></u>
CAPITAL AND RESERVES			
Share capital	11		8
Share Premium	12		74,992
Revaluation reserve	13		25,218
Profit and loss account	13		(303)
SHAREHOLDERS' FUNDS			<u><u>99,915</u></u>

These financial statements were approved by the directors on **18 June 2014** and are signed on their behalf by:


Jasmin Singh (Chairman)

Company Registration No. 08664048

The notes on pages 10 to 14 form part of these financial statements.

EDWARDIAN HOTEL INVESTMENTS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2013

1. PRINCIPAL ACCOUNTING POLICIES

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 accounting and presentation

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 the company's fixed asset investments.

Going concern

The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern. On the basis of their assessment of the company's financial position, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Group financial statements

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the EEA and in accordance with Section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated financial statements.

Investments

Investments in subsidiary undertakings are stated at the net asset value of the subsidiary undertakings. Differences between the net asset value and historical cost are recorded in the Revaluation Reserve except to the extent that there is a permanent impairment below historical cost which amount is taken to the Profit and Loss account.

2. DIRECTORS' REMUNERATION

All directors' remuneration is paid by a group company, Edwardian London Management Services Limited. Details of remuneration are included in the financial statements of that company and in the financial statements of the ultimate parent company, Edwardian Group Limited.

3. OPERATING LOSS

Operating loss is stated after charging:

	Period from
	27 Aug 13 to
	31 Dec 13
	£'000
Auditor's Remuneration – as auditors	5

EDWARDIAN HOTEL INVESTMENTS LTD

NOTES TO THE FINANCIAL STATEMENTS – 2013 (CONT'D)

4. INTEREST RECEIVABLE

	Period from 27 Aug 13 to 31 Dec 13 £'000
Interest receivable from group undertakings	<u>422</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 27 Aug 13 to 31 Dec 13 £'000
Loan arrangement and agency fees payable	21
Loan commitment fees payable	16
Interest payable to group undertakings	168
Interest payable on bank borrowing	589
	<u>794</u>

6. TAX ON LOSS ON ORDINARY ACTIVITIES

(a) The tax credit for the period comprises:

	Period from 27 Aug 13 to 31 Dec 13 £'000
Current Tax :	
Group relief receivable on tax losses available for the period	(79)
Total current tax credit	<u>(79)</u>

(b) Factors affecting tax credit for the period:

The current tax credit for the period is lower as the standard rate of corporation tax in the UK of 23.25%.

	Period from 27 Aug 13 to 31 Dec 13 £'000
Loss on ordinary activities before tax	<u>(382)</u>
Loss on ordinary activities multiplied by standard rate of tax @ 23.25%	(89)
Effects of: Transfer pricing adjustments	10
Total tax credit	<u>(79)</u>

EDWARDIAN HOTEL INVESTMENTS LTD

NOTES TO THE FINANCIAL STATEMENTS – 2013 (CONT'D)

6. TAX ON LOSS ON ORDINARY ACTIVITIES - *continued*

(c) Factors affecting the future tax credit:

The rate of taxation is expected to follow the standard rate of UK corporation tax in future periods. The UK standard rate of corporation tax remained at 23.25% throughout the period to 31 December 2013.

7. FIXED ASSET INVESTMENTS

	Shares in Subsidiaries £'000
COST OR VALUATION	
Additions in the period	146,938
Revaluation of investments in subsidiaries	25,218
At 31 December 2013	<u>172,156</u>
NET BOOK VALUE	
At 31 December 2013	<u>172,156</u>

Fixed asset investments comprise of investments in the following subsidiaries:

Name of Subsidiary	Principal Activity	Percentage of Shares (%) 2013
Edwardian Bloomsbury Street Limited	Hotel Services	100
Edwardian Canary Wharf Hotel Limited	Hotel Services	100
Edwardian Grafton Hotel Limited	Hotel Services	100
Edwardian Limited	Hotel Services	100
Edwardian Mercer Street Limited	Hotel Services	100

All companies are registered in England and Wales.

8. DEBTORS

	2013 £'000
Amounts owed by group undertakings	170,821
Group relief receivable	79
Prepayments and accrued income	2,318
	<u>173,218</u>

Debtors include amounts owed by group undertakings of £170,518,000 due after more than one year.

EDWARDIAN HOTEL INVESTMENTS LTD

NOTES TO THE FINANCIAL STATEMENTS – 2013 (CONT'D)

9. CREDITORS: Amounts falling due within one year

	2013 £' 000
Accruals and deferred income	<u>934</u>

10. CREDITORS: Amounts falling due after more than one year

	2013 £'000
Bank Loan repayable between one and two years	-
Bank Loan repayable between three and five years	5,600
Bank Loan repayable after five years	154,400
Amounts owed to group undertakings	84,525
	<u>244,525</u>

The bank loan is secured by fixed charges on the freehold and leasehold properties of its subsidiary undertakings and floating charges on the assets of its subsidiary undertakings.

At 31 December 2013, £160.0 million of the loan is available at a fixed rate of 5.166% per annum.

11. SHARE CAPITAL

Allotted, Called up and Fully paid:

	2013 £'000
7,501 Ordinary shares of £1 each	<u>8</u>

12. SHARE PREMIUM ACCOUNT

	Period from 27 Aug 13 to 31 Dec 13 £'000
Premium on shares issued in the period	<u>74,992</u>

13. RESERVES

	Revaluation reserve £'000	Profit and loss account £'000
Retained loss for the period	-	(303)
Revaluation of investments in subsidiaries	25,218	-
Balance carried forward	<u>25,218</u>	<u>(303)</u>

14. GUARANTEES AND CONTINGENT LIABILITIES

The company is included within a normal group value added tax registration. All companies within the registration are jointly and severally liable for the total value added tax due by the group, which at 31 December 2013 amounted to £3.5 million.

EDWARDIAN HOTEL INVESTMENTS LTD

NOTES TO THE FINANCIAL STATEMENTS – 2013 (CONT'D)

15. RELATED PARTY TRANSACTIONS

As the company is a wholly owned subsidiary of Edwardian Investments Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions on the balances with entities which form part of the group headed by Edwardian Group Limited.

The consolidated financial statements of Edwardian Group Limited, within which this company is included, can be obtained from 140 Bath Road, Hayes, Middx UB3 5AW.

The directors confirm that there are no other related party transactions other than those disclosed in these financial statements.

16. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of Edwardian Investments Limited, a company registered in England and Wales. Its ultimate parent and controlling company is Edwardian Group Limited, a company also registered in England and Wales.

These financial statements have been consolidated in the financial statements of Edwardian Group Limited. The consolidated financial statements can be obtained from 140 Bath Road, Hayes, Middx UB3 5AW.