

**REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012  
FOR  
HLT Operating Mezz VII-I Limited**

THURSDAY



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for the year ended 31 December 2012**

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**HLT Operating Mezz VII-I Limited**

**COMPANY INFORMATION**  
**for the year ended 31 December 2012**

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**DIRECTORS.**

Mr T Ettelt  
Hilton Corporate Director LLC  
J Sleiffer

**SECRETARY.**

HLT Secretary Limited

**REGISTERED OFFICE.**

Maple Court  
Central Park  
Reeds Crescent  
Watford  
Hertfordshire  
WD24 4QQ

**REGISTERED NUMBER**

06453921

**AUDITORS**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

**REPORT OF THE DIRECTORS**  
**for the year ended 31 December 2012**

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The directors present their report with the financial statements of the company for the year ended 31 December 2012

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of an investment holding company

**REVIEW OF BUSINESS**

For the year ended 31 December 2012 the company has made a loss of £(651) (2011 £(571))

**DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2012

**FUTURE DEVELOPMENTS**

The company will continue to operate as an investment holding company in the future

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2012 to the date of this report

Mr T Ettelt  
Hilton Corporate Director LLC

Other changes in directors holding office are as follows

Mr O Harnisch - resigned 19 December 2012  
J Sleiffer - appointed 19 December 2012

**EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**

No significant post balance sheet events have occurred

**PRINCIPAL RISKS AND UNCERTAINTIES**

The company's principal activities are those of an investment holding company. As such the principal risks and uncertainties facing the company relate solely to the recoverability of the value of those investments.

The company monitors the fair value of all underlying assets to determine whether there are indicators that the carrying values of investments are not recoverable.

**DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

During the year Hilton Worldwide Inc purchased and maintained on behalf of the company liability insurance for its directors and officers, in respect of proceedings brought by third parties, as permitted by section 236 of the Companies Act 2006.

**REPORT OF THE DIRECTORS**  
for the year ended 31 December 2012

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Report of the Directors 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 then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- 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.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

**AUDITORS**

In accordance with section 485 of the Companies Act 2006, a resolution is proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company.

**ON BEHALF OF THE BOARD**



Hilton Corporate Director LLC - Director

8 July 2013

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HLT OPERATING MEZZ VII-I LIMITED**

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We have audited the financial statements of HLT Operating Mezz VII-I Limited for the year ended 31 December 2012 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).

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 a Report of the Auditors 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 Statement of Directors' Responsibilities, 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**

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 Report of the Directors 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 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 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared 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.

*Ernst & Young L.L.P.*

Cameron Cartmell (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

8 July 2013

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2012

|                                                                               | Notes | 2012<br>£           | 2011<br>£           |
|-------------------------------------------------------------------------------|-------|---------------------|---------------------|
| <b>TURNOVER</b>                                                               |       | -                   | -                   |
| Other operating items                                                         |       | 30                  | 62                  |
| Administrative expenses                                                       |       | <u>(681)</u>        | <u>(633)</u>        |
| <b>OPERATING LOSS and<br/>LOSS ON ORDINARY ACTIVITIES<br/>BEFORE TAXATION</b> | 4     | (651)               | (571)               |
| Tax on loss on ordinary activities                                            | 5     | <u>-</u>            | <u>-</u>            |
| <b>LOSS FOR THE FINANCIAL YEAR</b>                                            |       | <u><u>(651)</u></u> | <u><u>(571)</u></u> |

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current year or previous year

**TOTAL RECOGNISED GAINS AND LOSSES**

The company has no recognised gains or losses other than the losses for the current year or previous year

The notes form part of these financial statements

**BALANCE SHEET**  
**31 December 2012**

|                                              | Notes | 2012<br>£ | 2011<br>£ |
|----------------------------------------------|-------|-----------|-----------|
| <b>FIXED ASSETS</b>                          |       |           |           |
| Investments                                  | 7     | 1         | 1         |
| <b>CURRENT ASSETS</b>                        |       |           |           |
| Cash at bank                                 |       | 91        | 18        |
| <b>CREDITORS</b>                             |       |           |           |
| Amounts falling due within one year          | 8     | (2,521)   | (1,797)   |
| <b>NET CURRENT LIABILITIES</b>               |       | (2,430)   | (1,779)   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |       | (2,429)   | (1,778)   |
| <b>CAPITAL AND RESERVES</b>                  |       |           |           |
| Called up share capital                      | 9     | 1         | 1         |
| Profit and loss account                      | 10    | (2,430)   | (1,779)   |
| <b>SHAREHOLDERS' FUNDS</b>                   | 12    | (2,429)   | (1,778)   |

The financial statements were approved by the Board of Directors on 8 July 2013 and were signed on its behalf by



Hilton Corporate Director LLC - Director

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2012

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**1 FUNDAMENTAL ACCOUNTING CONCEPT**

The financial statements have been prepared under the going concern basis because the company's intermediate parent, Hilton Worldwide Inc, has indicated its willingness to provide adequate financial support to enable the company to meet its debts as they fall due

**2 ACCOUNTING POLICIES**

**Accounting convention**

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards

**Fixed asset investments**

Investments in subsidiary undertakings are stated at cost. The carrying value of investments is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

**3 STAFF COSTS**

All operations of the company during the year ended 31 December 2012 have been undertaken by employees of other companies within Hilton Worldwide, Inc. A charge of £ - has been included in the financial statements in respect of their services (2011 - £ -)

**4 OPERATING LOSS**

This is stated after charging/(crediting)

|                                    | 2012<br>£   | 2011<br>£   |
|------------------------------------|-------------|-------------|
| Foreign exchange on currency loans | <u>(30)</u> | <u>(62)</u> |

The remuneration of the auditors is borne entirely by Hilton Worldwide Limited

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2012

**5 TAXATION**

Although the company is registered in the UK, it is not resident in the UK for tax purposes as it is managed and controlled in Germany, which country has the taxing right by virtue of the UK and Germany Double Taxation Convention. There is therefore no UK corporation tax charge or credit to be recognised.

**Factors affecting the current tax charge**

The tax assessed for the year is lower than the standard rate of corporation tax in Germany. The difference is explained below:

|                                                                                                                       | 2012<br>£    | 2011<br>£    |
|-----------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Profit/(Loss) on ordinary activities before tax                                                                       | <u>(651)</u> | <u>(571)</u> |
| Profit/(Loss) on ordinary activities multiplied by the standard rate of corporation tax in Germany of 15% (2011: 15%) | (98)         | (86)         |
| Unutilised loss                                                                                                       | 103          | 95           |
| Non-taxable income and profit                                                                                         | (5)          | (9)          |
| Current tax charge/(credit)                                                                                           | <u>-</u>     | <u>-</u>     |

The tax loss of €840 for the period ended 31 December 2012 (2011: €728), together with the loss of €2,131 brought forward, can be carried forward without time limit. However, no deferred tax asset, estimated at £365 at 31 December 2012, has been recognised in these accounts as it is not probable that these losses will be utilised in the foreseeable future.

**6 DIRECTORS' REMUNERATION**

The directors received no remuneration in respect of their qualifying services as directors of the company.

**7 FIXED ASSET INVESTMENTS**

|                       | Shares in<br>group<br>undertakings<br>£ |
|-----------------------|-----------------------------------------|
| <b>COST</b>           |                                         |
| At 1 January 2012     | 1                                       |
| and 31 December 2012  | <u>1</u>                                |
| <b>NET BOOK VALUE</b> |                                         |
| At 31 December 2012   | <u>1</u>                                |
| At 31 December 2011   | <u>1</u>                                |

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2012

**7 FIXED ASSET INVESTMENTS - continued**

The investment balance is comprised of

|                                  | Country of<br>registration and<br>operation | Principal activity            | Holding            | Proportion of<br>voting rights<br>and shares<br>held |
|----------------------------------|---------------------------------------------|-------------------------------|--------------------|------------------------------------------------------|
| HLT Operating Mezz VII-H Limited | England                                     | Investment holding<br>company | Ordinary<br>shares | 100%                                                 |

The shares owned by the company are pledged as security under the terms of the loan agreements between Hilton Worldwide Inc and third party providers

The company has utilised the exemption under Section 410 of the Companies Act 2006 not to disclose all undertakings held by its direct subsidiaries as none of those undertakings principally affect the profit or assets of the Company

Consolidated financial statements have not been prepared as the company is consolidated into the financial statements of a larger group, for which the consolidated financial statements are publicly available, as disclosed in the below note "Parent undertaking, controlling party and consolidating entity"

In the opinion of the directors the aggregate value of the investment in subsidiary undertakings is not less than the amounts at which they are stated in these financial statements

**8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|                                    | 2012  | 2011  |
|------------------------------------|-------|-------|
|                                    | £     | £     |
| Amounts owed to group undertakings | 2,521 | 1,797 |

Amounts owed to group undertakings are included in amounts due within one year where there are no specified repayment terms. While amounts owed to group undertakings are technically repayable on demand, and hence are included in amounts due within one year, the directors are of the opinion that in the ordinary course of business, repayment within such a timescale would not be required.

**9 CALLED UP SHARE CAPITAL**

| Allotted, issued and fully paid |                 |                  |      |      |
|---------------------------------|-----------------|------------------|------|------|
| Number                          | Class           | Nominal<br>value | 2012 | 2011 |
|                                 |                 |                  | £    | £    |
| 1                               | Ordinary shares | 1                | 1    | 1    |

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2012

**10 RESERVES**

|                      | Profit<br>and loss<br>account<br>£ |
|----------------------|------------------------------------|
| At 1 January 2012    | (1,779)                            |
| Deficit for the year | (651)                              |
| At 31 December 2012  | <u>(2,430)</u>                     |

**11 RELATED PARTY DISCLOSURES**

The company has taken advantage of provisions in FRS 8 which exempt wholly owned subsidiary undertakings within the Hilton Worldwide, Inc group, from disclosing transactions with other entities within the group. The ultimate parent undertaking at 31 December 2012, Hilton Worldwide, Inc has included the required related party disclosures within its group financial statements.

**12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

|                                      | 2012<br>£      | 2011<br>£      |
|--------------------------------------|----------------|----------------|
| Loss for the financial year          | (651)          | (571)          |
| Net reduction of shareholders' funds | (651)          | (571)          |
| Opening shareholders' funds          | (1,778)        | (1,207)        |
| Closing shareholders' funds          | <u>(2,429)</u> | <u>(1,778)</u> |

**13 PARENT UNDERTAKING, CONTROLLING PARTY AND CONSOLIDATING ENTITY**

The company's immediate parent undertaking is HLT Operating Mezz VII-J Limited, an investment holding company registered in England.

The ultimate parent undertaking and controlling party at 31 December 2012 is BH Hotels Holdco LLC, a company controlled by certain investment funds affiliated with the Blackstone Group L P, a publicly owned entity registered in the United States of America.

The only undertaking for which group financial statements were prepared and into which the company is consolidated for 31 December 2012, was Hilton Worldwide, Inc (formerly known as Hilton Hotels Corporation), a Delaware company incorporated in the United States of America. These group financial statements are available from the company secretary Hilton Worldwide Inc, 7930 Jones Branch Drive, McLean, Fairfax County, Virginia VA 22102-3302, United States of America.

**14 CASH FLOW STATEMENT**

The company has taken advantage of the provision within FRS 1 which exempts subsidiary undertakings, 90% or more of whose voting rights are controlled within the group, from preparing a cash flow statement as consolidated financial statements in which the company is included are publicly available.