

**MREF Hotels One Limited**

**Directors' report and financial statements  
for the year ended 31 December 2014**

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## **MREF Hotels One Limited**

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## **MREF Hotels One Limited**

### **Company information**

#### **Directors**

Marc Gilbard  
Charles Ferguson-Davie  
Nicholas Edwards  
Steven Hall  
Heiko Figge

#### **Registered number**

05893844

#### **Registered office**

Nightingale House  
65 Curzon Street  
London  
W1J 8PE

#### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

#### **Bankers**

Lloyds Banking Group  
London Chief Office  
PO Box 54873  
London  
SW1Y 5WX

## **MREF Hotels One Limited**

### **Directors' report for the year ended 31 December 2014**

The directors present their report and the audited financial statements of MREF Hotels One Limited (the "Company") for the year ended 31 December 2014.

#### **Principal activity**

The Company's principal activity during the year was that of a holding Company.

#### **Results**

The Company's loss for the financial year is £8,591,000 (2013 - £8,315,000).

Post year end on 6 February 2015 the ultimate controlling parties Moorfield Real Estate Fund A Limited Partnership and Moorfield Real Estate Fund B Limited Partnership became Lone Star Real Estate Fund III (U.S.), L.P. (incorporated in the US) and Lone Star Real Estate Fund III (Bermuda), L.P. (incorporated in Bermuda).

#### **Directors**

The directors who served during the year and up to the date of signing the financial statements were:

Marc Gilbard  
Charles Ferguson-Davie  
Nicholas Edwards  
Steven Hall  
Heiko Figge

#### **Going concern**

The Directors are of the opinion that preparing the financial statements on a going concern basis is appropriate based on the forecast future trading performance of the company and that they have received confirmation from LSREF3 Laser Finance Limited Partnership and LSREF3 Laser Holdings (Jersey) Ltd that the financing facilities provided (see note 14) will not require repayment for a period of at least 12 months from the date of signing of the financial statements.

#### **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 prepared 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

**MREF Hotels One Limited**

**Directors' report  
for the year ended 31 December 2014**

**Statement of directors' responsibilities (continued)**

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 of disclosure of information to auditors**

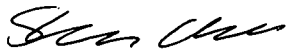
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Small companies' exemption**

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

This report was approved by the board on 29.4.15 and signed on its behalf.



**Steven Hall**  
Director

## **MREF Hotels One Limited**

### **Independent auditors' report to the members of MREF Hotels One Limited**

#### **Report on the financial statements**

##### **Our opinion**

In our opinion, MREF Hotels One Limited's financial statements (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 United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

##### **What we have audited**

MREF Hotels One Limited's financial statements comprise:

- the Balance sheet as at 31 December 2014;
- the Profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

##### **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.

##### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

##### **Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to prepare financial statements in accordance with the small companies' regime, take advantage of the small companies' exemption in preparing the Directors' report and take advantage of the small companies exemption from preparing a Strategic report. We have no exceptions to report arising from this responsibility.

## **MREF Hotels One Limited**

### **Independent auditors' report to the members of MREF Hotels One Limited**

#### **Responsibilities for the financial statements and the audit**

##### **Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities set out on pages 2 and 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board'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.

##### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Directors' report and financial statements 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 course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Ian Benham (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

Date:

29 April 2015

**MREF Hotels One Limited**

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

	<b>Note</b>	<b>2014 £000</b>	<b>2013 £000</b>
Administrative expenses		<u>(24)</u>	<u>(1)</u>
<b>Operating loss</b>	<b>2</b>	<b>(24)</b>	<b>(1)</b>
Interest receivable and similar income		3	2
Interest payable and similar charges	<b>5</b>	<u>(8,570)</u>	<u>(8,316)</u>
<b>Loss on ordinary activities before taxation</b>		<b>(8,591)</b>	<b>(8,315)</b>
Tax on loss on ordinary activities	<b>6</b>	<u>-</u>	<u>-</u>
<b>Loss for the financial year</b>	<b>11</b>	<u><b>(8,591)</b></u>	<u><b>(8,315)</b></u>

All amounts above relate to continuing operations.

The Company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

There are no material differences between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents.

The notes on pages 8 to 12 form part of these financial statements.

**MREF Hotels One Limited**  
**Registered number: 05893844**

**Balance sheet**  
**as at 31 December 2014**

	Note	2014 £000	2014 £000	2013 £000	2013 £000
<b>Fixed assets</b>					
Investments	7		373,408		373,408
<b>Current assets</b>					
Debtors	8	12,040		10,215	
Cash at bank and in hand		94		16	
		<u>12,134</u>		<u>10,231</u>	
<b>Creditors: amounts falling due within one year</b>	9	<u>(426,393)</u>		<u>(415,899)</u>	
<b>Net current liabilities</b>			<u>(414,259)</u>		<u>(405,668)</u>
<b>Net liabilities</b>			<u>(40,851)</u>		<u>(32,260)</u>
<b>Capital and reserves</b>					
Called up share capital	10		-		-
Profit and loss account	11		<u>(40,851)</u>		<u>(32,260)</u>
<b>Total shareholders' deficit</b>	12		<u>(40,851)</u>		<u>(32,260)</u>

The financial statements on pages 6 to 12 were approved by the board of directors the board on 29.4.15 and signed on its behalf by



**Steven Hall**  
Director

The notes on pages 8 to 12 form part of these financial statements.

**Notes to the financial statements  
for the year ended 31 December 2014**

**1. Accounting policies**

**1.1 Basis of preparation of financial statements**

The financial statements have been prepared on a going concern basis, under the historical cost convention, and in accordance with 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.

**1.2 Going concern**

The Directors are of the opinion that preparing the financial statements on a going concern basis is appropriate based on the forecast future trading performance of the company and that they have received confirmation from LSREF3 Laser Finance Limited Partnership and LSREF3 Laser Holdings (Jersey) Ltd that the financing facilities provided (see note 14) will not require repayment for a period of at least 12 months from the date of signing of the financial statements.

**1.3 Consolidation**

These financial statements contain information about the Company as an individual company and do not contain consolidated financial information as a parent undertaking of a group. The Company is exempt under Section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its ultimate parent undertaking, MREF Hotels Limited, a company incorporated in Jersey.

**1.4 Cash flow statement**

The Company has taken advantage of the exemption from preparing a cash flow statement contained in FRS 1 "Cash flow statements" on the grounds that it is a small company.

**1.5 Investments**

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

**1.6 Debtors**

Debtors are stated after all known bad debts have been written off and specific provision has been made against all debts considered doubtful of collection.

**1.7 Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is recognised 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 measured on an undiscounted basis.

## MREF Hotels One Limited

### Notes to the financial statements for the year ended 31 December 2014

#### 2. Operating loss

Audit fees were borne by a related undertaking in both years.

#### 3. Staff costs

The Company had no employees during the year (2013 - nil).

#### 4. Directors' remuneration

There was no remuneration paid to the directors by the Company during the year (2013 - £nil). There were no retirement benefits accruing to the directors (2013 - £nil).

#### 5. Interest payable and similar charges

	2014 £000	2013 £000
Interest payable to group undertakings	8,563	8,314
Finance costs	7	2
	<u>8,570</u>	<u>8,316</u>

#### 6. Tax on loss on ordinary activities

	2014 £000	2013 £000
UK corporation tax charge on loss for the year	-	-

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2013 - higher than) the standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%). The differences are explained below:

	2014 £000	2013 £000
Loss on ordinary activities before taxation	<u>(8,591)</u>	<u>(8,315)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%)	(1,847)	(1,933)
<b>Effects of:</b>		
Group relief surrendered	1,847	1,933
<b>Total current tax</b>	<u>-</u>	<u>-</u>

#### Factors affecting future tax charges:

Further reductions to the UK corporation tax rate were announced in the Autumn 2014 Budget statement. These changes were to reduce tax rates by a further 1% to 20% from 1 April 2015.

## MREF Hotels One Limited

### Notes to the financial statements for the year ended 31 December 2014

#### 7. Investments

	Investments in subsidiary undertakings £000
<b>Cost</b>	
At 1 January 2014 and 31 December 2014	373,408
<b>Net book amount</b>	
At 31 December 2014	373,408
At 31 December 2013	373,408

The Company's principal subsidiary undertakings are:

Name	Country of incorporation	Principal activity	Share %	ownership class
MREF Hotels Four Limited	United Kingdom	Hotel operator	100	Ordinary
Orchard Hotels Limited*	United Kingdom	Holding company	100	Ordinary
Capricorn Limited**	United Kingdom	Investment holding company	100	Ordinary
Sherborne Hotel Limited*	United Kingdom	Hotel operator	100	Ordinary
Island Hospitality Ventures Limited	United Kingdom	Hotel operator	100	Ordinary
MREF Hotels Three Limited	United Kingdom	Hotel operator	100	Ordinary
Waterside Inn Limited***	United Kingdom	Non-trading	100	Ordinary

\* subsidiary of MREF Hotels Four Limited

\*\* subsidiary of Orchard Hotels Limited

\*\*\* subsidiary of MREF Hotels Three Limited

The directors believe that the carrying value of the investments is supported by their underlying net assets.

#### 8. Debtors

	2014 £000	2013 £000
Trade debtors	8	-
Amounts owed by group undertakings	12,029	10,141
Other tax and social security	3	74
	<u>12,040</u>	<u>10,215</u>

Amounts owed by group undertakings are subject to interest at 2.5% above Bank of England base rate, unsecured and repayable on demand.

# MREF Hotels One Limited

## Notes to the financial statements for the year ended 31 December 2014

### 9. Creditors: Amounts falling due within one year

	2014 £000	2013 £000
Amounts owed to group undertakings	424,683	415,899
Other taxation and social security	1,710	-
	<u>426,393</u>	<u>415,899</u>

Amounts owed to group undertakings are subject to interest at 2.5% above Bank of England base rate, unsecured and repayable on demand.

### 10. Called up share capital

	2014 £000	2013 £000
<b>Allotted and fully paid</b>		
1 (2013 - 1) ordinary share of £1	-	-
	<u>-</u>	<u>-</u>

### 11. Reserves

	Profit and loss account £000
At 1 January 2014	(32,260)
Loss for the financial year	(8,591)
	<u>(40,851)</u>
At 31 December 2014	<u>(40,851)</u>

### 12. Reconciliation of movements in shareholders' deficit

	2014 £000	2013 £000
Opening shareholders' deficit	(32,260)	(23,945)
Loss for the financial year	(8,591)	(8,315)
	<u>(40,851)</u>	<u>(32,260)</u>
Closing shareholders' deficit	<u>(40,851)</u>	<u>(32,260)</u>

### 13. Related party transactions

The Company has taken advantage of the exemptions contained in FRS 8 "Related Party Disclosures" not to disclose transactions with related parties within the group as all of the voting rights of the Company are controlled within the group.

**Notes to the financial statements  
for the year ended 31 December 2014**

**14. Immediate and ultimate parent undertaking and ultimate controlling parties**

The Company's immediate and ultimate parent entity is MREF Hotels Limited, a company incorporated in Jersey of which the smallest and largest group of undertakings for which group financial statements are drawn up and of which the Company is a member of.

In February 2015 the ultimate beneficial owners, Moorfield Real Estate Fund A Limited Partnership and Moorfield Real Estate Fund B Limited Partnership, through a portfolio transaction, disposed of their entire interest in the Company to Lone Star Real Estate Fund III (U.S.), L.P. and Lone Star Real Estate Fund III (Bermuda), L.P. As part of the transaction the senior debt facility and related party loans were repaid in full and LSREF3 Laser (Mercure) Limited has provided two new facilities to the Company i) a 4 year floating rate interest bearing facility; and ii) a fixed rate mezzanine facility. The Company acts as a guarantor for the LSREF III Laser Investments Limited's £595.5 million 3 year sterling term loan.