Registered number: 6013591

Cheltenham Hotel Limited

Annual Report and Financial Statements

for the year ended 31 December 2010

Cheltenham Hotel Limited

Annual report and financial statements for the year ended 31 December 2010

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Cheltenham Hotel Limited

Directors and advisers

Directors

Graham Stanley
Graham Sidwell
Marc Gilbard

Company secretary

Timothy Sanderson

Registered office

Nightingale House
65 Curzon Street
London
W1J 8PE

Bankers

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

Independent auditors

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

Directors' report for the year ended 31 December 2010

The directors present their report and the audited financial statements of the company for the year ended 31 December 2010

Principal activity

The company's principal activity during the year was that of property investment

Results

The company's loss for the financial year is £733,000 (2009 £43,000)

Directors

The directors who held office during the year are given below

Graham Stanley
Graham Sidwell
Marc Gilbard

Qualifying third party and pension scheme indemnity provision

There are no qualifying third party provisions in place for the benefit of the directors either at the year end or subsequently

Going concern

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, MREF Hotels Limited The directors have received confirmation that MREF Hotels Limited intends to support the company for at least 12 months from the date these financial statements are approved

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, and
- make judgements and accounting estimates that are reasonable and prudent

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

Directors' report for the year ended 31 December 2010 (continued)

Statement of disclosure of information to auditors

So far as each of the directors in office at the date of approval of these financial statements is aware

- there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as directors in order to make themselves 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

By order of the Board

Timothy Sanderson
Company secretary
Date

SEPTEMBER 2011
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Independent auditors' report to the members of Cheltenham Hotel Limited

We have audited the financial statements of Cheltenham Hotel Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, 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) as applicable to financial statements prepared in accordance with the small companies regime of the Companies Act 2006

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2 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

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

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

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 2010 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 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 auditors' report to the members of Cheltenham Hotel 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, or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report

Jonathan Hook (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
Date 23\9\11

Profit and loss account for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Turnover	2	**981**	981
Cost of sales		**0**	0
Operating profit	3	**981**	981
Interest payable and similar charges	6	**(1,714)**	(1,024)
Loss on ordinary activities before taxation		**(733)**	(43)
Tax on loss on ordinary activities	7	**0**	0
Loss for the financial year	14	**(733)**	(43)

All amounts above relate to continuing operations of the company

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

Statement of total recognised gains and losses for the year ended 31 December 2010

	2010 £'000	2009 £'000
Loss for the financial year	**(733)**	(43)
Unrealised deficit on revaluation of freehold property	**(77)**	(3,773)
Total recognised gains and losses relating to the year	**(810)**	(3,816)

Cheltenham Hotel Limited

Balance sheet as at 31 December 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	8	**13,249**	13,321
Current assets			
Debtors	9	**45**	522
		45	522
Creditors: amounts falling due within one year	10	**(6,811)**	(12,778)
Net current liabilities		**(6,766)**	(12,256)
Total assets less current liabilities		**6,483**	1,065
Creditors: amounts falling due after more than one year	11	**(11,680)**	(5,452)
Net liabilities		**(5,197)**	(4,387)
Capital and reserves			
Called up share capital	13	**0**	0
Revaluation reserve	14	**(3,850)**	(3,773)
Profit and loss account	14	**(1,347)**	(614)
Total shareholders' deficit	15	**(5,197)**	(4,387)

The financial statements on pages 6 to 13 were approved by the board of directors on 12/9/11 and were signed on its behalf by

19/09/2011

Graham Sidwell
Director

Notes to the financial statements for the year ended 31 December 2010

1 Accounting policies

These financial statements have been prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principle accounting policies, which have been applied consistently throughout the year, are set out below

Going concern

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, MREF Hotels Limited The directors have received confirmation that MREF Hotels Limited intends to support the company for at least 12 months from the date these financial statements are approved

Cash flow statement

The directors have taken advantage of the exemption in FRS 1"Cash flow statements" from the requirement to present a cash flow statement in the financial statements on the grounds that it is a small company

Turnover

Turnover represents rental income, excluding valued added tax Revenue is recognised as and when it falls due Rentals receivable under operating leases are credited to the profit and loss account on an accruals basis over the term of the lease Any initial advance receipt in relation to operating leases is treated as part of the rentals receivable and accordingly these receipts are credited to the profit and loss account on a straight line basis over the period of the lease and are classified within deferred income

Tangible fixed assets

No depreciation is provided on freehold property The directors consider that the life of this asset is so long, and residual value is so high, that its depreciation is not material

Freehold property is subject to annual valuations The surplus of such value over cost is transferred to the revaluation reserve Where there is impairment of the value of a building which is deemed to be permanent a charge is made to the profit and loss account Where valuations are below cost and the difference is deemed by the directors to be temporary, the deficit is transferred to the revaluation reserve

Whilst the initial costs incurred on extensive repair and refurbishment programmes are capitalised, those in respect of items subsequently replaced are written off to the profit and loss account as incurred In accordance with FRS 15 "Tangible Fixed Assets", the directors perform an annual impairment review Any deficits noted are charged to the profit and loss account

There are no other fixed assets in the company other than freehold property, therefore there is no depreciation recognised in the financial statements

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

Notes to the financial statements for the year ended 31 December 2010

1 Accounting policies (continued)

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

The group maintains debt at a fixed rate through interest rate swap and offset against the interest on the related debt instrument

2 Turnover

Turnover relates to the company's main activity which is carried out in the United Kingdom

3 Operating profit

Audit fees were borne by a related undertaking

4 Employee information

The company has no employees other than the directors (2009 £nil)

5 Directors' emoluments

There were no emoluments paid to the director by the company during the year (2009 £nil) There were no retirement benefits accruing to the directors (2009 £nil)

6 Interest payable and similar charges

	2010	2009
	£'000	£'000
Interest payable on bank loans	1,557	883
Finance fees	25	19
Interest payable to group companies	132	122
	1,714	1,024

Notes to the financial statements for the year ended 31 December 2010

7 Tax on loss on ordinary activities

	2010 £'000	2009 £'000
Current tax		
UK income tax on profit for the year at 28% (2009 28%)	0	0
Tax on loss on ordinary activities	**0**	0

The tax assessed for the period differs from the standard rate of Corporation Tax in the UK of 28% (2009 28%) The differences are explained below

	2010 £'000	2009 £'000
Loss on ordinary activities before tax	**(733)**	(43)
Loss on ordinary activities multiplied by standard rate of UK income tax 28% (2009 28%)	**(205)**	(12)
Effects of		
Accelerated capital allowances and other timing differences	**205**	12
Current tax charge for the year	**0**	0

Factors affecting future tax charges:

The Finance (No 2) Act 2010 reduced the main rate of corporation tax from 28 per cent to 27 per cent from 1 April 2011 On 23 March 2011, the Chancellor announced a further reduction of 1 per cent to 26 per cent in the rate of corporation tax from 1 April 2011 and legislation is included in the Finance Bill 2011 to reduce the main rate of corporation tax to 25 per cent from 1 April 2012 Further reductions in the rate by 1 per cent per annum to 23 per cent by 1 April 2014 have also been announced Other than the reduction to 27 per cent, the changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

The company has tax losses of approximately £1,538,000 (2009 £618,000) available for carry forward and offset against future taxable profits arising from the same trade The company has a potential deferred tax asset of £415,000 (2009 £173,000) which has not been recognised in these financial statements as its future recovery is uncertain This potential deferred tax asset will be recognised when it can be regarded as more likely than not that there will be sufficient taxable profits from which the tax losses can be deducted

8 Tangible assets

	Freehold Property £'000
Valuation	
At 1 January 2010	13,321
Additions	5
Revaluation	(77)
At 31 December 2010	**13,249**
Net book amount	
At 31 December 2010	**13,249**
At 31 December 2009	13,321

Notes to the financial statements for the year ended 31 December 2010

8 Tangible assets (continued)

Freehold property was valued at £13,249,000 at 31 December 2010 on the basis of independent valuations undertaken by Jones Lang Lasalle The valuations are on the basis of value in use and resulted in a valuation deficit of £77,000 In the opinion of the directors this deficit represents a temporary impairment in value and has therefore been transferred to the revaluation reserve

If freehold property had not been revalued, it would have been included at £17,099,000 (2009 £17,094,000)

9 Debtors

	2010	2009
	£'000	£'000
Amount owed by group undertakings	45	522

Amounts owed by group undertakings are subject to interest at 2% above Bank of England base rate, are unsecured and repayable on demand

10 Creditors: amounts falling due within one year

	2010	2009
	£'000	£'000
Bank loans (note 12)	0	12,777
Amounts owed to group undertakings (note 12)	6,810	0
Other tax and social security	1	1
	6,811	12,778

Amounts owed to group undertakings are subject to interest at 2% above Bank of England base rate, are unsecured and repayable on demand

11 Creditors: amounts falling due after more than one year

	2010	2009
	£'000	£'000
Bank loans (note 12)	11,785	0
Bank loans - unamortised finance leases (note 12)	(105)	0
Amounts owed to group undertakings (note 12)	0	5,452
	11,680	5,452

Notes to the financial statements for the year ended 31 December 2010

11 Creditors: amounts falling due after more than one year (continued)

Amounts owed to group undertakings are subject to interest at 2% above Bank of England base rate, are unamortised

Bank loan borrowings are secured by fixed charges on group properties and floating charges on certain other group assets Bank loans comprise variable rate debt at a margin of 150 basis points over LIBOR The loan is repayable in full in July 2014

MREF Tradeco Limited, a fellow group company, has entered into an interest rate swap agreement in order to hedge exposure to interest rates on bank loans until 4 August 2014 This arrangement enables the Group to manage its interest rate exposure, by swapping floating rates on borrowings into fixed rate amounts Utilising this arrangement the company effectively obtains borrowings at a different rate to those available from borrowing directly at prevailing floating rates

The related loans are held in fellow group companies The cost/gain of the interest rate swap is reallocated out to these companies in proportion to the value of the loan held within each Company The amount allocated to Cheltenham Hotel Limited for the year ended 31 December 2010 is £504,117 cost (2009 £502700 cost)

12 Loans and other borrowings

	2010	2009
	£'000	£'000
Bank loans	11,680	12,777
Amounts owed to group undertakings	6,810	5,452
	18,490	18,229
Maturity of financial liabilities:		
In one year or less, or on demand	6,810	12,777
In more than one year, but not more than two years	0	5,452
In more than two years, but not more than five years	11,680	0
	18,490	18,229

13 Called up share capital

	2010	2009
	£'000	£'000
Allotted and fully paid		
1 ordinary share of £1	0	0

Notes to the financial statements for the year ended 31 December 2010

14 Reserves

	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2010	(3,773)	(614)
Unrealised loss on revaluation of property	(77)	0
Loss for the financial year	0	(733)
At 31 December 2010	**(3,850)**	**(1,347)**

15 Reconciliation of movements in shareholders' deficit

	2010 £'000	2009 £'000
Loss for the financial year	(733)	(43)
Unrealised deficit on revaluation of property	(77)	(3,773)
Movement in the year	(810)	(3,816)
Opening shareholders' funds	(4,387)	(571)
Closing shareholders' funds	(5,197)	(4,387)

16 Related party transactions and ultimate controlling party

The ultimate controlling parties are Moorfield Real Estate Fund A Limited Partnership and Moorfield Real Estate Fund B Limited Partnership

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

17 Ultimate parent undertaking

The company's immediate parent undertaking is MREF Hotels Holdings Limited, a company incorporated in Jersey

The ultimate parent entity is MREF Hotels Limited, a company incorporated in Jersey

The smallest and largest group of undertakings for which group accounts are drawn up and of which the company are members is MREF Hotels Limited which is incorporated in Jersey