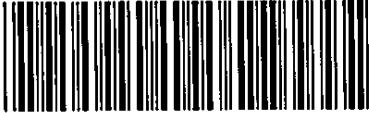


Registered number: SC268072

MREF Sheffield Limited

Directors' report and financial statements
for the year ended 31 December 2012

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MREF Sheffield Limited

Contents

	Page
Company information	1
Directors' report	2 - 3
Independent auditors' report	4 - 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 13

MREF Sheffield Limited

Company information

Directors	Marc Gilbard Graham Stanley Graham Sidwell
Registered number	SC268072
Registered office	15 Atholl Crescent Edinburgh EH3 8HA
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 Sheffield Limited

Directors' report for the year ended 31 December 2012

The directors present their report and the audited financial statements of MREF Sheffield Limited (the "Company") for the year ended 31 December 2012.

Principal activity

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

Results

The Company's profit for the financial year is £2,140,000 (2011 - £1,973,000).

Directors

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

Marc Gilbard
Graham Stanley
Graham Sidwell

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;
- 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 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 information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

MREF Sheffield Limited

**Directors' report
for the year ended 31 December 2012**

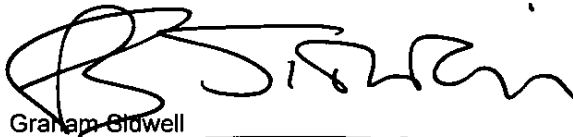
Small companies' exemption

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

250913

and signed on its behalf.



Graham Stowell
Director

MREF Sheffield Limited

Independent auditors' report to the members of MREF Sheffield Limited

We have audited the financial statements of MREF Sheffield 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).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities 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. 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. 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 profit 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.

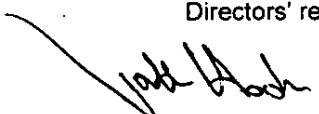
MREF Sheffield Limited

Independent auditors' report to the members of MREF Sheffield Limited

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
1 Embankment Place
London
WC2N 6RH

Date:

25/9/13

MREF Sheffield Limited

**Profit and loss account
for the year ended 31 December 2012**

	Note	2012 £000	2011 £000
Turnover	1,2	2,621	2,511
Administrative expenses		<u>(47)</u>	<u>(55)</u>
Operating profit		2,574	2,456
Interest receivable and similar income	6	293	244
Interest payable and similar charges	7	<u>(727)</u>	<u>(727)</u>
Profit on ordinary activities before taxation		2,140	1,973
Tax on profit on ordinary activities	8	<u>-</u>	<u>-</u>
Profit for the financial year	15	<u>2,140</u>	<u>1,973</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 recognised gains and losses has been presented.

There is no material differences between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents.

The notes on pages 8 to 13 form part of these financial statements.

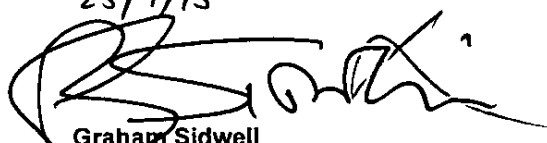
MREF Sheffield Limited
Registered number: SC268072

Balance sheet
as at 31 December 2012

	Note	2012 £000	2012 £000	2011 £000	2011 £000
Fixed assets					
Tangible assets	9		22,241		22,240
Current assets					
Debtors	10	10,391		8,153	
Creditors: amounts falling due within one year	11	<u>(6,175)</u>		<u>(6,106)</u>	
Net current assets			<u>4,216</u>		<u>2,047</u>
Total assets less current liabilities			<u>26,457</u>		<u>24,287</u>
Creditors: amounts falling due after more than one year	12		<u>(12,430)</u>		<u>(12,400)</u>
Net assets			<u><u>14,027</u></u>		<u><u>11,887</u></u>
Capital and reserves					
Called up share capital	14		4,000		4,000
Revaluation reserve	15		5,436		5,436
Profit and loss account	15		<u>4,591</u>		<u>2,451</u>
Total shareholders' funds	16		<u><u>14,027</u></u>		<u><u>11,887</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

25/9/13.


Graham Sidwell
 Director

The notes on pages 8 to 13 form part of these financial statements.

**Notes to the financial statements
for the year ended 31 December 2012**

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, as modified by the revaluation of certain tangible fixed assets and in accordance with 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.

1.2 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.

1.3 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.

1.4 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 fixed assets in the Company other than freehold property, therefore there is no depreciation recognised in the financial statements.

1.5 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.

MREF Sheffield Limited

Notes to the financial statements for the year ended 31 December 2012

1. Accounting policies (continued)

1.6 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.

1.7 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 in both years.

4. Staff costs

The Company had no employees during either year.

5. Directors' remuneration

There was no remuneration paid to the directors by the Company during the year (2011 - £nil). There were no retirement benefits accruing to the directors (2011 - £nil).

MREF Sheffield Limited

**Notes to the financial statements
for the year ended 31 December 2012**

6. Interest receivable and similar income

	2012 £000	2011 £000
Interest receivable from group companies	293	244

7. Interest payable and similar charges

	2012 £000	2011 £000
Interest payable on bank loans	697	697
Finance costs	30	30
	<u>727</u>	<u>727</u>

8. Tax on profit on ordinary activities

	2012 £000	2011 £000
UK corporation tax charge on profit for the year	-	-

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%). The differences are explained below.

	2012 £000	2011 £000
Profit on ordinary activities before taxation	2,140	1,973
Profit on ordinary activities multiplied by standard rate in the UK of 24.5% (2011 - 26.5%)	524	523
Effects of:		
Expenses not deductible for tax purposes	1	1
Group relief claimed and not paid for	(525)	(524)
Total current tax	<u>-</u>	<u>-</u>

Factors affecting future tax charges:

In addition to the changes in rates of Corporation tax disclosed within the note above further changes to the UK corporation tax system have been announced. In the autumn statement 2012 a reduction to the main rate was announced to reduce the rate to 21% from 1 April 2014. In the Budget 2013 a further reduction to the main rate was announced to reduce the rate to 20% from 1 April 2015. These changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements. The impact of the proposed changes is not expected to be material to the balance sheet.

MREF Sheffield Limited

**Notes to the financial statements
for the year ended 31 December 2012**

9. Tangible fixed assets

	Long leasehold property £000
Valuation	
At 1 January 2012	22,240
Additions	1
	<hr/>
At 31 December 2012	22,241
	<hr/>
Net book amount	
At 31 December 2012	22,241
	<hr/> <hr/>
At 31 December 2011	22,240
	<hr/> <hr/>

Long leasehold property, including plant and equipment, were valued at £22,241,000 at 31 December 2012 (2011 - £22,240,000) on the basis of a Directors' valuation of all the properties.

If the property had not been revalued it would have been included at a cost of £16,805,000 (2011 - £16,804,000).

10. Debtors

	2012 £000	2011 £000
Trade debtors	1	1
Amounts owed by group undertakings	10,367	8,151
Other debtors	23	1
	<hr/>	<hr/>
	10,391	8,153
	<hr/> <hr/>	<hr/> <hr/>

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

11. Creditors: amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	-	24
Amounts owed to group undertakings	6,175	6,078
Accruals and deferred income	-	4
	<hr/>	<hr/>
	6,175	6,106
	<hr/> <hr/>	<hr/> <hr/>

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

MREF Sheffield Limited

Notes to the financial statements for the year ended 31 December 2012

12. Creditors: amounts falling due after more than one year

	2012 £000	2011 £000
Bank loans - amounts drawn down (note 13)	12,475	12,475
Bank loans - unamortised finance fees (note 13)	(45)	(75)
	<u>12,430</u>	<u>12,400</u>

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 cost allocated to MREF Sheffield Limited for the year ended 31 December 2012 is £397,000 (2011 - £404,000).

13. Loans and other borrowings

	2012 £000	2011 £000
Bank loans	<u>12,430</u>	<u>12,400</u>

Maturity of financial liabilities:

In one year or less, or on demand	-	-
In more than one year, but not more than two years	12,430	-
In more than two years, but not more than five years	-	12,400
In more than five years	-	-
	<u>12,430</u>	<u>12,400</u>

14. Called up share capital

	2012 £000	2011 £000
Allotted and fully paid		
4,000,002 ordinary shares of £1 each	<u>4,000</u>	<u>4,000</u>

MREF Sheffield Limited

Notes to the financial statements for the year ended 31 December 2012

15. Reserves

	Revaluation reserve £000	Profit and loss account £000
At 1 January 2012	5,436	2,451
Profit for the financial year	-	2,140
At 31 December 2012	<u>5,436</u>	<u>4,591</u>

16. Reconciliation of movements in shareholders' funds

	2012 £000	2011 £000
Opening shareholders' funds	11,887	9,914
Profit for the financial year	2,140	1,973
Closing shareholders' funds	<u>14,027</u>	<u>11,887</u>

17. Related party transactions

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.

18. Immediate and ultimate parent undertaking and ultimate controlling parties

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 is a member is MREF Hotels Limited, a company incorporated in Jersey.

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