Registered number: SC268072

MREF Sheffield Limited

Annual Report

for the year ended 31 December 2009

MREF Sheffield Limited

Annual report for the year ended 31 December 2009

MREF Sheffield Limited

Directors and advisors

Directors

Graham Stanley
Graham Sidwell
Marc Gilbard

Company secretary

Timothy Sanderson

Registered office

15 Atholl Crescent
Edinburgh
EH3 8HA

Principal bankers

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

Statutory auditors

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

Directors' report for the year ended 31 December 2009

The directors present their report and the audited financial statements of the company for the year ended 31 December 2009.

Principal activity

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

Results and dividends

The company's profit for the financial year is £1,285,220 (2008: £1,270,000). The directors do not recommend the payment of a dividend (2008: £nil).

Directors

The directors who held office during the year are given below:

Graham Stanley
Graham Sidwell
Marc Gilbard

Post balance sheet events

On 13 July 2010 the Group of which the Company is a part completed a refinancing. Details are included in note 19.

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 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 confirm that they have complied with the above requirements in preparing the financial statements.

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 2009 (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.

Auditors

PricewaterhouseCoopers LLP were appointed as auditors during the year and have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board

Timothy Sanderson
Company secretary
24 September 2010

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 2009 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) 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 Statement of Directors' Responsibilities set out in the Directors' Report, 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 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 2009 and of its profit and cash flows 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 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 MREF Sheffield 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 prepare the financial statements and the directors' report in accordance with the small companies regime.

Jonathan Hook (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 September 2010

Profit and loss account for the year ended 31 December 2009

	Notes	**2009 £'000**	2008 £'000
Turnover	2	**2,521**	2,457
Cost of sales		**(121)**	(115)
Gross profit		**2,400**	2,342
Administrative expenses		**(20)**	0
Operating profit	3	**2,380**	2,342
Interest receivable and similar income	6	**0**	35
Interest payable and similar charges	7	**(1,095)**	(1,107)
Profit on ordinary activities before taxation		**1,285**	1,270
Tax on profit on ordinary activities	8	**0**	0
Profit for the financial year	15	**1,285**	1,270

All activities are continuing activities.

Further to the gains and losses shown above an unrealised surplus on revaluation of properties has been transferred to the revaluation reserve in the year as shown in note 15. There were no other gains or losses recognised.

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

MREF Sheffield Limited

Balance sheet as at 31 December 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	10	**22,485**	22,051
Current assets			
Debtors	11	**5,520**	3,776
		5,520	3,776
Creditors: amounts falling due within one year	12	**(13,482)**	(13,234)
Net current liabilities		**(7,962)**	(9,458)
Total assets less current liabilities		**14,523**	12,593
Creditors: amounts falling due after more than one year	13	**(5,513)**	(5,295)
Net assets		**9,010**	7,298
Capital and reserves			
Called up share capital	14	**4,000**	4,000
Revaluation reserve	15	**5,681**	5,254
Profit and loss account	15	**(671)**	(1,956)
Total shareholders' funds	16	**9,010**	7,298

These financial statements have been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

The financial statements on pages 6 to 13 were approved by the board of directors on 24 September 2010 and were signed on its behalf by:

Graham Sidwell
Director

Notes to the financial statements for the year ended 31 December 2009

1 Accounting policies

These financial statements have been prepared on the 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.

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate following the completion of a refinancing as disclosed in note 19.

Cash flow statement

The Company is exempt from publishing a cash flow statement as the ultimate controlling parties prepare consolidated financial statements which are publicly available.

Turnover

Turnover comprises rental income, excluding VAT.

Leases

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 hotel properties or hotel properties with leases of twenty years or more to run at the balance sheet date. The directors consider that the lives of these assets are so long, and residual values are so high, that their depreciation is not material.

Freehold and long leasehold land and buildings are 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 hotel properties and therefore there is no depreciation recognised in the financial statements.

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences in the treatment of certain items for taxation and accounting purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

In accordance with FRS 19 deferred tax is not provided on revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date.

Notes to the financial statements for the year ended 31 December 2009

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 Employee information

There were no employees during either year.

5 Directors' emoluments

During the years ended 31 December 2009 and 31 December 2008, no director received any emoluments in respect of their services to the company. There were no retirement benefits accruing to the directors for either year.

6 Interest receivable and similar income

	2009 £'000	2008 £'000
Interest receivable	**0**	1
Interest receivable from group companies	**0**	34
	0	35

7 Interest payable and similar charges

	2009 £'000	2008 £'000
Interest payable on loans	**1,060**	936
Finance costs	**19**	25
Interest payable to group companies	**16**	146
	1,095	1,107

Notes to the financial statements for the year ended 31 December 2009

8 Tax on profit on ordinary activities

	2009	2008
	£'000	£'000
United Kingdom Corporation Tax		
Current tax on income for the year	0	0
Deferred tax	0	0
Total taxation	0	0

Current tax reconciliation	2009	2008
	£000	£000
Profit on ordinary activities before taxation	1,285	1,270
Profit on ordinary activities at UK corporation tax rate 28% (2008: 28%)	360	356
Effects of:		
- expenditure that is not tax deductible / (income not taxable)	0	(121)
- group relief surrendered/ (claimed) and not paid for	(360)	0
- accelerated capital allowances / other timing differences	0	(235)
Current tax charge for the year	0	0

Factors that may affect future tax charges

It is anticipated that tax losses and the availability of capital allowances in excess of depreciation will reduce future tax charges.

9 Dividends

There were no dividends paid during either year.

Notes to the financial statements for the year ended 31 December 2009

10 Tangible assets

Cost	Freehold Property £'000
At 1 January 2009	22,051
Additions	7
Revaluation	427
At 31 December 2009	**22,485**
Net book amount	
At 31 December 2009	**22,485**
At 31 December 2008	22,051

Freehold and long leasehold land and buildings, including plant and equipment, were valued at £22,485,000 at 31 December 2009 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 surplus of £427,000 which has been transferred to the revaluation reserve.

11 Debtors

	2009	2008
	£'000	£'000
Amounts owed by group undertakings	**5,520**	3,774
Other tax and social security	**0**	1
Other debtors	**0**	1
	5,520	3,776

Amounts owed by group undertakings are subject to interest at a margin of 200 basis points over the Bank of England base rate, unsecured and repayable on demand.

12 Creditors: amounts falling due within one year

	2009	2008
	£'000	£'000
Bank loans	**12,391**	12,373
Other creditors	**866**	860
Accruals and deferred income	**225**	1
	13,482	13,234

Notes to the financial statements for the year ended 31 December 2009

13 Creditors: amounts falling due after more than one year

	2009 £'000	2008 £'000
Amounts owed to group undertakings	**5,513**	5,295

Amounts owed to group undertakings are subject to interest at a margin of 200 basis points over the Bank of England base rate, unsecured and repayable on demand.

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 140 basis points over LIBOR. The loan is repayable in full in July 2014.

On 30 March 2007 and 28 September 2007 MREF Tradeco Limited, a fellow group company, entered into interest rate swap agreements in order to hedge exposure to interest rates on bank loans until 31st March 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 MREF Sheffield Limited for the year ended 31 December 2009 is £487,498 cost (2008: £33,560 gain).

As disclosed in note 19 MREF Hotels Limited Group ("the Group"), of which the Company is a member, completed a refinancing on 13 July 2010. At the year end date of 31 December 2009 and as required by FRS 25 bank loans were classified as being due within one year as a result of the Group being in technical breach of certain covenants attaching to the senior debt. As at the date of approval of these accounts the revised debt facilities were not in breach of any financial covenants. Furthermore, the interest rate swap agreements disclosed above were cancelled as part of the refinancing arrangements and a new swap agreement entered into.

14 Called up share capital

	2009 £'000	2008 £'000
Authorised		
4,000,002 ordinary shares of £1 each	**4,000**	4,000
Allotted and fully paid		
4,000,002 (2008: 4,000,002) ordinary shares of £1 each	**4,000**	4,000

15 Reserves

	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2009	5,254	(1,956)
Unrealised surplus on revaluation of properties	427	0
Profit for the financial year	0	1,285
At 31 December 2009	**5,681**	**(671)**

Notes to the financial statements for the year ended 31 December 2009

16 Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
Profit for the financial year	**1,285**	1,270
Unrealised surplus on revaluation of properties	**427**	0
Movement in the year	**1,712**	1,270
Opening shareholders' funds	**7,298**	6,028
Closing shareholders' funds	**9,010**	7,298

17 Related party transactions

The Company has not disclosed related party transactions with fellow subsidiary undertaking as the ultimate controlling parties prepare consolidated financial statements which are publicly available.

18 Ultimate parent undertaking

The company's ultimate parent undertaking is MREF Hotels Limited, which is registered in Jersey. The company's ultimate controlling parties are Moorfield Real Estate Fund A Limited Partnership and Moorfield Real Estate Fund B Limited Partnership.

19 Post balance sheet events

On 13 July the MREF Hotels Limited group, of which the company is a part, completed a refinancing of its debt facilities which resulted in a reduction in senior, capital expenditure and overdraft borrowings in exchange for the lender's participation in a share of future profits. A portion of existing swap contracts have been cancelled and replaced by a new swap contract which, along with the reduction in debt levels will significantly reduce the Group's annual interest bill. £20million will be available for investment in capital expenditure projects.