

MENZIES HOTELS PROPERTY NO.24 LIMITED
Registered in England Number 6327034
Annual Report and Financial Statements
Year ended 31 January 2011



MENZIES HOTELS PROPERTY NO.24 LIMITED

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MENZIES HOTELS PROPERTY NO.24 LIMITED

Company information

Bankers

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

Solicitors

Martineau
No 1 Colmore Square
Birmingham
B4 6AA

Auditors

PricewaterhouseCoopers LLP
Donington Court
Pegasus Business Park
Castle Donington
East Midlands
DE74 2UZ

Registered Office

Bakum House
Etwall Road
Derby
DE3 0DL

Registered in England Number 6327034

MENZIES HOTELS PROPERTY NO.24 LIMITED

Directors' Report

The directors present their report and the audited financial statements of the Company for the year ended 31 January 2011

Principal activity

The principal activity of the Company is that of owning and leasing the Menzies Irvine Hotel. The property and associated tangible fixed assets are leased to Menzies Hotels Operating Limited, a group company, until 28 August 2042.

Results and dividends

The Company's loss before taxation was £449,390 (2010 - £3,232,434) before a taxation credit of £nil (2010 - £nil). No dividends were paid in respect of the year or the prior year.

Review of the business

The Company is a property holding company within the Menzies Hotels Group. The directors are satisfied with the performance of the Company for the financial year to 31 January 2011 and following the debt restructuring on 28 June 2011 expect the Company's future performance to remain consistent.

Given the straightforward nature of the business and private ownership, the company directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the Company.

Restructuring

As at 31 January 2011 the Company was an indirect subsidiary of Piccadilly Hotels 2 Limited. Piccadilly Hotels 2 Limited and its subsidiaries ("the PH2 Group") met its day to day working capital requirements through Bank loans and an overdraft facility. As at 31 January 2011 the Company was a Guarantor under the PH2 Group Banking Facilities. The Company was issued with a default notice on 11 February 2009 stating that the borrowers under the facility had breached various financial covenants.

On 28 June 2011 the PH2 Group went through a debt restructuring process. As part of this process, group parent companies Piccadilly Hotels 2 Limited, Piccadilly Hotels 3 Limited, Piccadilly Hotels 4 Limited, Piccadilly Hotels 5 Limited and Piccadilly Hotels 6 Limited were placed into receivership. In addition Menzies Hotels Intermediary Holdings Limited ("MHIHL"), the immediate parent company of Menzies Hotels Group Limited ("MHGL") which is itself the immediate parent company of Menzies Hotels Limited ("MHL") which in turn owns the shares in the Company was placed into administration. The process resulted in Menzies Hotels Operating Limited ("MHOL") and Menzies Hotels Group Limited ("MHGL") being acquired for nominal consideration by a newly created company Cordial Hotels Acquisition Limited ("CHAL"). The property companies who lease hotels and the head office to MHOL, including Menzies Hotels Property No 24 Limited were at 31 January 2011 and remain wholly owned subsidiaries of MHL, a 100% owned subsidiary of MHGL. CHAL is a subsidiary of Cordial Hotels Limited ("CHL") the new group ultimate parent company. CHL is owned by a combination of Lloyds Banking Group ("LBG") and an employee benefit trust. CHL and its subsidiaries (which include the Company) ("the CHL Group") has a significantly reduced level of bank debt from that of the PH2 Group. From 28 June 2011 the Company is a Guarantor under the CHL Group banking facilities.

Going concern

Notwithstanding the fact that the company has net current liabilities and net liabilities, the directors have produced the financial statements on a going concern basis. The directors have received confirmation from Cordial Hotels Acquisition Limited, a parent undertaking, of its intention to financially support the Company such that the Company can meet its obligations for a period of at least twelve months from the date of approval of the accounts.

The Company has amounts owed by Group undertakings of £1,461,105. The Company has not provided for these amounts on the basis that they are all due from companies within the new Group and the new Group has been through a debt restructuring process.

MENZIES HOTELS PROPERTY NO.24 LIMITED

Directors' Report (continued)

Tangible fixed assets

Movements in tangible fixed assets are shown in note 6 to the financial statements

The directors have assessed the carrying value of the Company's property taking into account the nature of the hotel and the projected future trading

As a result of this review an impairment provision of £359,707 has been established. In the view of the directors the assumptions used are appropriate to reflect the Company's circumstances and the market conditions. Further details of the impairment review are included in note 6 to the financial statements

Directors

The directors of the Company during the year and up to the date of this report were

	Appointed
Timothy J Penter	-
Niall Geoghegan	8 August 2011
Joseph O'Callaghan	8 August 2011

Directors indemnity insurance

The Company is party to a qualifying third party indemnity provision for the benefit of its directors which remains in force at the date of this report

Risk management

The Company is exposed to financial and business risk and the policies used in the management of these risks are detailed in note 1 to the financial statements

Directors' responsibilities statement

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.

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

In the case of each of the persons who are directors at the time when the report is approved, the following applies

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

By order of the Board



Joseph O'Callaghan
Secretary

14 October 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MENZIES HOTELS PROPERTY NO 24 LIMITED

We have audited the financial statements of Menzies Hotels Property No 24 Limited for the year ended 31 January 2011 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 Directors' Responsibilities Statement set out on page 5 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 January 2011 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

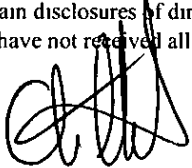
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report 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



Christopher Hibbs (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Donington Court

 October 2011

MENZIES HOTELS PROPERTY NO 24 LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 January 2011

	Notes	2011 £	2010 £
TURNOVER		438,080	422,390
Administrative expenses before exceptional item		-50,546	-50,546
Exceptional item impairment loss		<u>-359,707</u>	<u>-3,195,649</u>
Administrative expenses		<u>-410,253</u>	<u>-3,246,195</u>
OPERATING PROFIT / (LOSS)	2	27,827	-2,823,805
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		<u>27,827</u>	<u>-2,823,805</u>
Net interest payable and similar charges	3	<u>-477,217</u>	<u>-408,629</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>-449,390</u>	<u>-3,232,434</u>
TAXATION ON LOSS ON ORDINARY ACTIVITIES	4	-	-
LOSS FOR THE FINANCIAL YEAR	11	<u>-449,390</u>	<u>-3,232,434</u>

All of the Company's operations are continuing

There are no recognised gains and losses other than the loss for the financial year and the loss for the prior financial year

There are no 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 9 to 14 form part of these financial statements

MENZIES HOTELS PROPERTY NO.24 LIMITED
Company number 6327034

BALANCE SHEET
31 January 2011

	Notes	£	2011 £	£	2010 £
FIXED ASSETS					
Tangible assets	6		2,208,670		2,618,923
CURRENT ASSETS					
Debtors	7	1,461,105		1,004,324	
CREDITORS - amounts falling due within one year	8		<u>-7,522,845</u>	<u>-7,026,927</u>	
NET CURRENT LIABILITIES			<u>-6,061,740</u>	<u>-6,022,603</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>-3,853,070</u>	<u>-3,403,680</u>	
PROVISIONS FOR LIABILITIES AND CHARGES	9		-	-	
NET LIABILITIES			<u>-3,853,070</u>	<u>-3,403,680</u>	
CAPITAL AND RESERVES					
Called up share capital	10		1		1
Profit and loss account	11		-3,853,071		-3,403,681
TOTAL SHAREHOLDERS' DEFICIT	12		<u>-3,853,070</u>	<u>-3,403,680</u>	

Approved by the board on 14 October 2011 and signed on its behalf by



Timothy J Penter
Director

The notes on pages 9 to 14 form part of these financial statements

1 ACCOUNTING POLICIES

Basis of accounting

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

Going concern

Notwithstanding the fact that the company has net current liabilities and net liabilities, the directors have produced the financial statements on a going concern basis. The directors have received confirmation from Cordial Hotels Acquisition Limited, a parent undertaking, of its intention to financially support the Company such that the Company can meet its obligations for a period of at least twelve months from the date of approval of the accounts.

The Company has amounts owed by Group undertakings of £1,461,105. The Company has not provided for these amounts on the basis that they are all due from companies within the new Group and the new Group has been through a debt restructuring process.

Turnover

Turnover is defined as the amounts derived from the leasing of hotel property falling within the Company's ordinary activities after the deduction of value added tax and any other sales based taxes. Turnover is recognised as the proportion of lease rental payments due to date. Where payments are received from lessees in advance, the amounts are recorded as deferred income and included as part of creditors due within one year.

Cash flow statement

The Company is exempt under FRS 1 (revised 1996) from including a cash flow statement within these financial statements as it is a wholly owned subsidiary included within the consolidated financial statements of Menzies Hotels Holdings Limited.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Depreciation is not provided on land nor charged on freehold or long leasehold buildings as it is not material. Short leasehold buildings are depreciated over the unexpired term of the lease when less than 50 years. In accordance with FRS 15, an annual impairment review was performed on freehold and long leasehold buildings.

Depreciation of other tangible fixed assets is provided on a straight line basis over their estimated useful lives. It is calculated at rates of between 6.67% and 20% per annum.

Lessor accounting

Rentals received under operating leases are accounted for on a straight-line basis as turnover with any rental increases recognised during the period to which they relate.

MENZIES HOTELS PROPERTY NO 24 LIMITED
NOTES TO FINANCIAL STATEMENTS
Year ended 31 January 2011

1 ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances arising from the underlying timing differences in respect of tax allowances on hotel buildings are reversed if and when the conditions for retaining the allowances have been met. Deferred tax balances are not discounted

Risk management

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks and uncertainties of the Menzies Hotels Holdings Group and are not managed separately. Accordingly, the principal risks and uncertainties of Menzies Hotels Holdings Limited, which include those of the company, are discussed in the Group's annual report which does not form part of this report

2 OPERATING PROFIT / (LOSS)

	2011 £	2010 £
Operating profit / (loss) is stated after charging		
Depreciation of owned fixed assets	50,546	50,546
Impairment of tangible fixed assets	<u>359,707</u>	<u>3,195,649</u>

Auditors' remuneration of £1,500 (2010 - £1,500) incurred by the Company during the year has been paid by the Group undertaking, Menzies Hotels Operating Limited

3 NET INTEREST PAYABLE AND SIMILAR CHARGES

	2011 £	2010 £
INTEREST PAYABLE AND SIMILAR CHARGES		
Interest payable to group undertakings	495,918	420,868
INTEREST RECEIVABLE AND SIMILAR INCOME		
Interest receivable from group undertakings	-18,701	-12,239
Net interest payable	<u>477,217</u>	<u>408,629</u>

4 TAXATION ON LOSS ON ORDINARY ACTIVITIES

	2011 £	2010 £
4 a) Current taxation	-	-
Taxation credit in the year - deferred taxation	<u>-</u>	<u>-</u>
Taxation on loss on ordinary activities	<u>-</u>	<u>-</u>

4 b) Factors affecting the current tax credit for the year

The differences between the total current taxation shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows

Loss on ordinary activities before taxation	<u>-449,390</u>	<u>-3,232,434</u>
Loss on ordinary activities at the UK tax rate of 28% (2010 - 28%)	-125,829	-905,082
Effects of		
Expenses not deductible for tax purposes (including IBAs)	97,603	888,984
Accelerated capital allowances	-17,651	14,153
	-	-
Group relief surrendered at nil value	<u>45,877</u>	<u>1,945</u>
	<u>-</u>	<u>-</u>

MENZIES HOTELS PROPERTY NO 24 LIMITED
NOTES TO FINANCIAL STATEMENTS
Year ended 31 January 2011

5 DIRECTORS AND EMPLOYEES

The monthly average number of directors employed during the year was 1 (2010 - 1) The amounts paid to the director of the Company during the year for services to the Group are shown in the financial statements of Menzies Hotels Holdings Limited No amounts were paid by the Company to the director (2010 - £nil)

The Company had no other employees during the year or the prior year

6 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and fixtures £	Total £
Cost			
At 1 February 2010	5,368,798	567,927	5,936,725
At 31 January 2011	5,368,798	567,927	5,936,725
Depreciation			
At 1 February 2010	-3,195,649	-122,153	-3,317,802
Charge for the year	-	-50,546	-50,546
Impairment loss	-359,707	-	-359,707
At 31 January 2011	-3,555,356	-172,699	-3,728,055
Net book value			
At 31 January 2011	1,813,442	395,228	2,208,670
At 31 January 2010	2,173,149	445,774	2,618,923

The Company's property and associated tangible fixed assets are leased to Menzies Hotels Operating Limited, a group company, until 28 August 2042

The directors have assessed the carrying value of the Company's property taking into account the nature of the hotel and the projected future trading An impairment review was performed based on the Company's forecasts to 31 January 2015 A long term growth rate beyond the five year period of 2.5% was applied A pre tax discount rate of 12% was applied to the hotel reflecting its location and risk profile

As a result of this review an impairment provision of £359,707 has been established In the view of the directors the assumptions used are appropriate to reflect the Company's circumstances and the market conditions

7 DEBTORS

	2011 £	2010 £
Amounts due from Group undertakings	1,461,105	1,004,324
Amounts falling due within one year	1,461,105	1,004,324

MENZIES HOTELS PROPERTY NO 24 LIMITED
NOTES TO FINANCIAL STATEMENTS
Year ended 31 January 2011

8 CREDITORS - amounts falling due within one year

	2011 £	2010 £
Amounts owed to Group undertakings	7,522,845	7,026,927
	<u>7,522,845</u>	<u>7,026,927</u>

All intra-group amounts (including debtors shown in note 7) are unsecured and repayable on demand. Interest during the year and the prior year is calculated at a rate of one per cent above the prevailing bank base rate, except on the loan (£5,887,350) from Piccadilly Hotels 2 Limited in connection with the acquisition of the property, which is calculated at a rate of one per cent above that payable by Piccadilly Hotels 2 Limited for the group bank funding, such interest to be compounded quarterly

9 PROVISIONS FOR LIABILITIES AND CHARGES

	2011 £	2010 £
Deferred taxation:		
At 1 February 2010	-	-
Profit and loss account	-	-
At 31 January 2011	<u>-</u>	<u>-</u>
The balance at the year end comprises .		
Accelerated capital allowances	-	-
	<u>-</u>	<u>-</u>

No deferred tax asset has been recognised relating to capital allowances of £15,960 (2010 - £34,203) and losses of £0 (2010 - £nil) given the uncertainty regarding their recoverability

In addition to the changes in rates of Corporation tax disclosed within the note on taxation, a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. A resolution passed by Parliament on 29 March 2011 reduced the main rate of corporation tax to 26% from 1 April 2011. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 was included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. None of these rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

As the net deferred tax assets have not been recognised these changes are not expected to have any impact on the resultant balance sheet of the Company.

MENZIES HOTELS PROPERTY NO 24 LIMITED
NOTES TO FINANCIAL STATEMENTS
Year ended 31 January 2011

10 SHARE CAPITAL

	2011 £	2010 £
Authorised 1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid 1 Ordinary share of £1	<u>1</u>	<u>1</u>

11 RESERVES

	Profit and loss account £
At 1 February 2010	-3,403,681
Loss for the financial year	-449,390
At 31 January 2011	<u>-3,853,071</u>

12 RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' DEFICIT

	2011 £	2010 £
Loss for the financial year	-449,390	-3,232,434
Net increase in shareholders' deficit	<u>-449,390</u>	<u>-3,232,434</u>
Opening shareholders' deficit	-3,403,680	-171,246
Closing shareholders' deficit	<u>-3,853,070</u>	<u>-3,403,680</u>

13 CONTINGENT LIABILITIES

Cross guarantees exist between Group undertakings in respect of the Company's bankers. The net indebtedness of Piccadilly Hotels 2 Limited to the bank at 31 January 2011 and therefore the contingent liability of the Company amounted to £234,358,862 (2010 - £231,546,311). New banking facilities were put in place on 28 June 2011 which released the Company from these guarantees (see note 14).

14 SUBSEQUENT EVENTS

On 28 June 2011 the PH2 Group went through a debt restructuring process. As part of this process, group parent companies Piccadilly Hotels 2 Limited, Piccadilly Hotels 3 Limited, Piccadilly Hotels 4 Limited, Piccadilly Hotels 5 Limited and Piccadilly Hotels 6 Limited were placed into receivership. In addition Menzies Hotels Intermediary Holdings Limited, ("MHIHL"), the immediate parent company of Menzies Hotels Group Limited ("MHGL") which is itself the immediate parent company of Menzies Hotels Limited ("MHL") which in turn owns the shares in the Company was placed into administration. The process resulted in Menzies Hotels Operating Limited ("MHOL") and Menzies Hotels Group Limited ("MHGL") being acquired for nominal consideration by a newly created company Cordial Hotels Acquisition Limited ("CHAL"). The property companies who lease hotels and the head office to MHOL, including Menzies Hotels Property No 24 Limited were at 31 January 2011 and remain wholly owned subsidiaries of MHL a 100% owned subsidiary of MHGL. CHAL is a subsidiary of Cordial Hotels Limited ("CHL") the new group ultimate parent company. CHL is owned by a combination of Lloyds Banking Group ("LBG") and an employee benefit trust. CHL and its subsidiaries (which include the Company) ("the CHL Group") has a significantly reduced level of bank debt from that of the PH2 Group. From 28 June 2011 the Company is a Guarantor under the CHL Group banking facilities.

15 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption provided by FRS 8 relating to the disclosure of transactions between group companies

16 PARENT UNDERTAKINGS

Name	Address from where group accounts are obtainable
Smallest and largest group holding company preparing group accounts Menzies Hotels Holdings Limited	Bakum House, Etwall Road, Mickleover, Derby DE3 0DL

At 31 January 2011 the immediate parent company was Menzies Hotels Limited, a company registered in England and Wales. The ultimate controlling party was the Tchenguiz Family Trust