

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

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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

SGH Martineau LLP
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 11 month period ended 31 December 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 £605,805 (year ended 31 January 2011 - £449,390) before a taxation credit of £nil (year ended 31 January 2011 - £nil). No dividends were paid in respect of the period 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 period to 31 December 2011. The directors are currently discussing the renewal of existing banking facilities (see going concern).

The Company has changed its year end from 31 January to 31 December.

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 ("PH2").

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") was placed into administration. The process resulted in Menzies Hotels Operating Limited ("MHOL") and Menzies Hotels Group Limited being acquired from MHIHL for nominal consideration by a newly created company CHAL. The property companies who lease hotels and the head office to MHOL, including Menzies Hotels Property No 24 Limited, remain wholly owned subsidiaries of Menzies Hotels Limited, 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. CHAL and its subsidiaries (which include the Company) ("the CHAL Group") has bank facilities of £165,020,000 which have a final maturity date of 3 April 2013.

As part of the restructure PH2 Limited assigned all amounts owed by the Company to MHL for nominal consideration. The company then issued 9,999 shares to MHL at a premium of £7,743,135.

From 28 June 2011 the Company is a Guarantor under the CHL Group banking facilities, as such it is dependent on the performance of all Group companies. The trading environment for the Group is challenging because of weak consumer confidence and the directors expect this trend to continue. In addition the impact of the Olympics and public holidays in 2012 may also affect trading. The directors will continue to work to address any trading issues that arise.

Going concern

The Final Maturity Date for the Facility Agreement is 3 April 2013. The Directors are in discussions with the bank to agree either a new facility or an extension to the existing agreement. Whilst no agreement has been reached with the bank the Directors have a reasonable expectation that the Facility will be renewed and have therefore produced the accounts on a going concern basis.

Tangible fixed assets

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

Following the debt restructuring, the directors of Cordial Hotels Acquisition Limited ("CHAL") instructed property valuers, Knight Frank (a firm of Independent Chartered Surveyors), to undertake a formal valuation of 15 of the 16 hotels owned by the CHAL Group including the hotel owned by the Company. The valuation was performed using a discounted cash flow model based on forecasts to 2014. A pre tax discount rates of 14% was applied to the hotel reflecting its location and risk profile. As a result an impairment loss of £814,115 has been recorded.

MENZIES HOTELS PROPERTY NO.24 LIMITED
Directors' Report (continued)

Directors

The directors of the Company during the period 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 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.

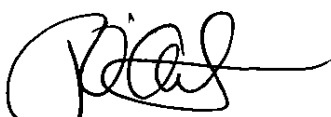
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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

4 July 2012

MENZIES HOTELS PROPERTY NO 24 LIMITED
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 11 month period ended 31 December 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 December 2011 and of its loss for the period 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

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements regarding the company's ability to continue as a going concern. As explained in note 1, the company is reliant on the continuation and extension of its bank facilities, which expire in April 2013. These conditions, explained more fully in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast doubt on the company's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern.

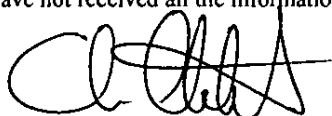
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period 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

5 July 2012

MENZIES HOTELS PROPERTY NO.24 LIMITED

PROFIT AND LOSS ACCOUNT

Period ended 31 December 2011

	Notes	Period ended 31 December 2011 £	Year ended 31 January 2011 £
TURNOVER		420,922	438,080
Administrative expenses before exceptional item		-46,333	-50,546
Exceptional item impairment loss		<u>-814,115</u>	<u>-359,707</u>
Administrative expenses		<u>-860,448</u>	<u>-410,253</u>
OPERATING (LOSS) / PROFIT	2	-439,526	27,827
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		<u>-439,526</u>	<u>27,827</u>
Net interest payable and similar charges	3	<u>-166,279</u>	<u>-477,217</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>-605,805</u>	<u>-449,390</u>
TAXATION ON LOSS ON ORDINARY ACTIVITIES	4	-	-
LOSS FOR THE FINANCIAL PERIOD / YEAR	11	<u>-605,805</u>	<u>-449,390</u>

All of the Company's operations are continuing

There are no recognised gains and losses other than the loss for the financial period and the loss for the prior financial year, and therefore no separate statement of total recognised gains or losses has been presented

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

The notes on pages 9 to 13 form part of these financial statements

MENZIES HOTELS PROPERTY NO.24 LIMITED
Company number 6327034

BALANCE SHEET
31 December 2011

	Notes	31 December 2011		31 January 2011	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		1,348,222		2,208,670
CURRENT ASSETS					
Debtors	7	1,985,105		1,461,105	
CREDITORS - amounts falling due within one year	8	<u>-39,068</u>		<u>-7,522,845</u>	
NET CURRENT ASSETS / (LIABILITIES)			1,946,037		-6,061,740
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,294,259</u>		<u>-3,853,070</u>
PROVISIONS FOR LIABILITIES AND CHARGES	9		-		-
NET ASSETS / (LIABILITIES)			<u>3,294,259</u>		<u>-3,853,070</u>
CAPITAL AND RESERVES					
Called up share capital	10		10,000		1
Share premium account	10		7,743,135		-
Profit and loss account	11		-4,458,876		-3,853,071
TOTAL SHAREHOLDERS' FUNDS / (DEFICIT)	12		<u>3,294,259</u>		<u>-3,853,070</u>

Approved by the board on 4 July 2012 and signed on its behalf by



Timothy J Penter
Director

The notes on pages 9 to 13 form part of these financial statements

1 ACCOUNTING POLICIES

The principal accounting policies, which have been applied consistently throughout the period, are set out below

Basis of accounting

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

Basis of preparation

On 28 June 2011 Cordial Hotels Limited ("CHL") acquired 100% of the issued share capital of Cordial Hotels Acquisition Limited ("CHAL") for consideration of £1. Subsequently, on 28 June 2011 CHAL acquired 100% of the issued share capital of both Menzies Hotels Operating Limited and Menzies Hotels Group Limited for consideration of £1 from Menzies Hotels Intermediary Holdings Limited, part of the Piccadilly Hotels Group. Menzies Hotels Operating Limited manages and operates 16 hotels and a head office, all of which are leased from property companies owned by Menzies Hotels Group Limited.

As part of the acquisition, CHAL entered into a Facility Agreement with the Bank of Scotland for total facilities of £165,020,000, of which £157,400,000 have been drawn and £156,803,348 remains outstanding at the period end. The Company is a party to and a Guarantor under this Agreement. All interest and capital repayments due have been made. The CHL consolidated group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to operate within the terms of its current facility, although this is sensitive to changes in the trading environment. The Directors are in discussions with the bank to agree either a new facility or continuation of this existing agreement. Whilst no agreement has been reached with the bank, the Directors have a reasonable expectation that the Group will continue to operate within the terms of its Facility and the Facility will be renewed on an acceptable basis to the Group and have therefore produced the Company's financial statements on a going concern basis. In the event that appropriate facilities do not remain available, adjustments will be required to the carrying value of assets and liabilities.

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 Cordial Hotels 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. The Group will commission a full valuation of its properties by a qualified valuer at least once every five years with an interim valuation in the third year or more frequently where it is likely there has been a material change in value.

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.

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.

Financial risk management

Financial risk is managed on a unified basis across the Cordial Hotels Limited Group. The Company's activities expose it primarily to interest rate risk. Details of how this risk is managed are detailed below.

Interest rate risk

The Company's activities expose it to the financial risks of changes in interest rates. The Company does not use interest rate swap contracts to hedge this exposure as the counterparties are companies within the Cordial Hotels Limited Group.

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
Period ended 31 December 2011

2 OPERATING (LOSS) / PROFIT

	Period ended 31 December 2011 £	Year ended 31 January 2011 £
Operating (loss) / profit is stated after charging		
Depreciation of owned fixed assets	46,333	50,546
Impairment of tangible fixed assets	<u>814,115</u>	<u>359,707</u>

Auditors' remuneration of £1,500 (year ended 31 January 2011 - £1,500) incurred by the Company during the period has been paid by the Group undertaking, Menzies Hotels Operating Limited

3 NET INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 31 December 2011 £	Year ended 31 January 2011 £
INTEREST PAYABLE AND SIMILAR CHARGES		
Interest payable to group undertakings	230,289	495,918
INTEREST RECEIVABLE AND SIMILAR INCOME		
Interest receivable from group undertakings	<u>-64,010</u>	<u>-18,701</u>
Net interest payable	<u>166,279</u>	<u>477,217</u>

4 TAXATION ON LOSS ON ORDINARY ACTIVITIES

	Period ended 31 December 2011 £	Year ended 31 January 2011 £
4 a) Current taxation	-	-
Taxation credit in the period - 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 period		
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>-605,805</u>	<u>-449,390</u>
Loss on ordinary activities at the UK tax rate of 26 35% (year ended 31 January 2011 - 28%)	<u>-159,650</u>	<u>-125,829</u>
Effects of		
Expenses not deductible for tax purposes (including IBAs)	214,139	97,603
Accelerated capital allowances	12,210	-17,651
Other timing differences	43,820	-
Group relief (claimed) / surrendered at nil value	<u>-110,519</u>	<u>45,877</u>
	<u>-</u>	<u>-</u>

MENZIES HOTELS PROPERTY NO.24 LIMITED
NOTES TO FINANCIAL STATEMENTS
Period ended 31 December 2011

5 DIRECTORS AND EMPLOYEES

The monthly average number of directors employed during the period was 2 (year ended 31 January 2011 - 1) No amounts were paid by the Company to the directors (year ended 31 January 2011 - £nil) The emoluments of all of the directors are paid by Menzies Hotels Operating Limited, a fellow subsidiary within the Cordial Hotels Limited group, which makes no recharge to the Company for the value of these services The directors are also directors of a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries

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

6 TANGIBLE ASSETS

	Freehold land and buildings	Plant and fixtures	Total
	£	£	£
Cost			
At 1 February 2011	5,368,798	567,927	5,936,725
At 31 December 2011	5,368,798	567,927	5,936,725
Depreciation			
At 1 February 2011	-3,555,356	-172,699	-3,728,055
Charge for the period	-	-46,333	-46,333
Impairment loss	-814,115	-	-814,115
At 31 December 2011	-4,369,471	-219,032	-4,588,503
Net book value			
At 31 December 2011	999,327	348,895	1,348,222
At 31 January 2011	1,813,442	395,228	2,208,670

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

Following the debt restructuring, the directors of Cordial Hotels Acquisition Limited ("CHAL") instructed property valuers, Knight Frank (a firm of Independent Chartered Surveyors), to undertake a formal valuation of 15 of the 16 hotels owned by the CHAL Group including the hotel owned by the Company The valuation was performed using a discounted cash flow model based on forecasts to 2014 A pre tax discount rates of 14% was applied to the hotel reflecting its location and risk profile As a result an impairment loss of £814,115 has been recorded

7 DEBTORS

	31 December 2011	31 January 2011
	£	£
Amounts due from Group undertakings	1,985,105	1,461,105
Amounts falling due within one year	1,985,105	1,461,105

MENZIES HOTELS PROPERTY NO.24 LIMITED
NOTES TO FINANCIAL STATEMENTS
Period ended 31 December 2011

8 CREDITORS - amounts falling due within one year

	31 December 2011	31 January 2011
	£	£
Amounts owed to Group undertakings	-	7,522,845
Accruals and deferred income	39,068	-
	<u>39,068</u>	<u>7,522,845</u>

Intra-group amounts (including debtors shown in note 7) are unsecured and repayable on demand. Interest is calculated at a rate of 6.3 per cent compounded monthly.

9 PROVISIONS FOR LIABILITIES AND CHARGES

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

No deferred tax asset has been recognised relating to capital allowances of £54,758 (year ended 31 January 2011 - £15,960) and losses of £182,124 (year ended 31 January 2011 - £nil) given the uncertainty regarding their recoverability.

In addition to the changes in rates of corporation tax disclosed in note 4, a number of further changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement. A resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax to 24% from 1 April 2012. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is expected to be included in the Finance Act 2012. A further reduction to the main rate is also proposed to reduce the rate to 22% from 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
Period ended 31 December 2011

10 SHARE CAPITAL

	31 December 2011 £	31 January 2011 £
Allotted, called up and fully paid		
10,000 (31 January 2011 - 1) Ordinary shares of £1	<u>10,000</u>	<u>1</u>

During the period the Company allotted 9,999 ordinary shares with a nominal value of £9,999 in connection with the debt restructuring. The Company received total consideration of £7,753,134 for the allotment.

11 RESERVES

	Share premium account £	Profit and loss account £
At 1 February 2011	-	-3,853,071
Loss for the financial period	-	-605,805
Share issue	7,743,135	-
At 31 December 2011	<u>7,743,135</u>	<u>-4,458,876</u>

12 RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS / (DEFICIT)

	Period ended 31 December 2011 £	Year ended 31 January 2011 £
Loss for the financial period / year	-605,805	-449,390
Share issue	7,753,134	-
Net change in shareholders' deficit	<u>7,147,329</u>	<u>-449,390</u>
Opening shareholders' deficit	-3,853,070	-3,403,680
Closing shareholders' funds / (deficit)	<u>3,294,259</u>	<u>-3,853,070</u>

13 CONTINGENT LIABILITIES

The Company is a party to cross guarantees in respect of the Group's banking facilities. The net indebtedness of Cordial Hotels Group to the bank at 31 December 2011 and therefore the contingent liability of the Company amounted to £151,264,335. As part of the debt restructuring, the Company was released from guarantees connected with funding provided by the previous parent companies.

14 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption provided by FRS 8 relating to the disclosure of transactions between related parties that are wholly owned subsidiaries within the same group of companies.

15 PARENT UNDERTAKINGS

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

The immediate parent company is Menzies Hotels Limited, a company registered in England and Wales. The directors are of the view that there is no ultimate controlling party.