

Marston Centrecourt Limited
Directors' report and financial
statements

Registered number 5600708

31 December 2006

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Directors and advisors

Executive directors

Michael Purtill FCA
Ian Goulding BSc ACA
David Taylor

Managing Director
Finance Director
Sales Director

Secretary and registered office

Ian Goulding
Wellington House
Cliffe Park
Bruntcliffe Road
Morley
Leeds
LS27 0RY

Registered auditors

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Solicitors

DLA Piper UK LLP
Princes Exchange
Princes Square
Leeds
LS1 4BY

Bankers

Anglo Irish Bank Corporation Plc
10 Old Jewry
London
EC2R 8DN

Directors' report

The directors present their annual report and the audited financial statements for the period from the date of incorporation to 31 December 2006

Principal activity and business review

The profit and loss account for the period is set out on page 7

The company was incorporated on 24 October 2005. On 14 December 2005 the company commenced trading when it acquired the freehold property of Hampshire Court Hotel. Its principal activity is now that of a property investment company.

Principal risks and uncertainties

Financing and interest rates

The company finances its activities through loans provided by fellow group undertakings on commercial terms.

Property insurance and consequential loss

The company's key asset is its interest in freehold property and as such mitigates the risk of damage or destruction of that asset by putting in place appropriate insurance cover. The cover is provided on a group-wide basis and provides for full reinstatement value of the property and loss of gross profits for a period of three years.

Dividends

The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors of the company who served during the period were

	Date appointed	Date resigned
Christopher Scragg	24 October 2005	13 November 2006
Mark Kingston	24 October 2005	13 November 2006
Michael Purtill	13 November 2006	-
Ian Goulding	13 November 2006	-
David Taylor	13 November 2006	-

Certain directors benefited from qualifying third party indemnity provisions in place during the financial period and at the date of this report.

Charitable and political donations

No contributions were made by the company for either charitable or political purposes.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

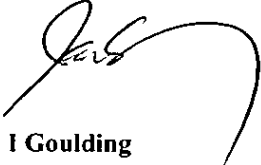
Directors' report *(continued)*

Auditors

During the period KPMG LLP were appointed as auditors of the company

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board



I Goulding
Company Secretary

16 July 2007

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 judgments and 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, and
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditors' report to the members of Marston Centrecourt Limited

We have audited the financial statements of Marston Centrecourt Limited for the period ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Marston Centrecourt Limited
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

16 July 2007

Profit and loss account
for the 62 week period ended 31 December 2006

	<i>Notes</i>	62 week period ended 31 December 2006 £'000
Turnover	2	761
Cost of sales		-
Gross profit		761
Administrative expenses		(112)
Operating profit		649
Interest receivable and similar income	3	90
Profit on ordinary activities before taxation	4	739
Tax on profit on ordinary activities	5	(1,312)
Loss for the financial period	10	(573)

All of the company's operations during the period shown above represent continuing operations

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

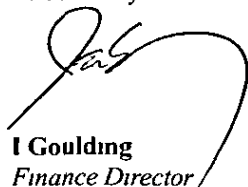
Statement of total recognised gains and losses
for the 62 week period ended 31 December 2006

	<i>Notes</i>	62 week period ended 31 December 2006 £'000
Loss for the financial period	10	(573)
Revaluation of freehold property	10	3,115
Total recognised gains and losses in period		2,542

Balance sheet
as at 31 December 2006

	<i>Notes</i>	31 December 2006 £'000
Fixed assets		
Tangible assets	6	13,503
Current assets		
Debtors	7	649
Cash at bank and in hand		66
Net current assets		715
Total assets less current liabilities		14,218
Provision for liabilities and charges	8	(1,176)
Net assets		13,042
Capital and reserves		
Called up share capital	9	10,500
Revaluation reserve	10	3,115
Profit and loss account	10	(573)
Total equity shareholders' funds	11	13,042

The financial statements on pages 7 to 13 were approved by the board of directors on 16 July 2007 and were signed on its behalf by


I Goulding
Finance Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules as modified to include the revaluation of certain tangible fixed assets

As a wholly owned subsidiary, the company has availed itself of the exemption under Financial Reporting Standard Number 8, not to disclose intra-group transactions

Under Financial Reporting Standard Number 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds of it being a wholly owned subsidiary of QHotels Group Limited

Tangible assets

No depreciation is provided on freehold land Depreciation is provided on all tangible fixed assets, other than freehold land, on a straight line basis, over their estimated useful economic lives as follows

Freehold and leasehold property	- up to 50 years
Plant and equipment	- between 10 and 20 years

Turnover

Turnover, which excludes value added tax, transactions between group companies and trade discounts, represents the invoiced value of goods and services supplied

Taxation

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

2 Segmental reporting

The company's turnover, profit before taxation and net assets are derived from its principal activity within the UK and as such no segmental information has been disclosed

3 Interest receivable and similar income

	62 week period ended 31 December 2006 £'000
Interest receivable from group undertakings	90

Notes (continued)

4 Profit on ordinary activities before taxation

	62 week period ended 31 December 2006 £'000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>	
Depreciation charge for the period	112
Directors' emoluments	-
Property rent receivable	(761)

The audit fee for the company for 2006 of £2,000 was borne by Marston Hotels Limited, a fellow subsidiary. The company paid no other fees to the auditors for other services.

5 Tax on profit on ordinary activities

	62 week period ended 31 December 2006 £'000
Current period	
Group relief	136
Deferred tax	1,176
Tax charge on profit on ordinary activities	1,312

The current tax charge for the period is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below.

	62 week period ended 31 December 2006 £'000
<i>Current tax reconciliation</i>	
Profit on ordinary activities before tax	739
Current tax charge at 30%	221
<i>Effects of</i>	
Deferred tax provided	(1,176)
Differences in transfer values	1,091
Total current tax charge (see above)	136

Notes (continued)

6 Tangible fixed assets

	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost or valuation			
Additions	9,210	1,290	10,500
Revaluation	3,115	-	3,115
At end of period	12,325	1,290	13,615
Depreciation			
Charge for period	(12)	(100)	(112)
At end of period	(12)	(100)	(112)
Net book value			
At 31 December 2006	12,313	1,190	13,503

The company freehold property was independently valued by Jones Lang LaSalle in October 2006. The valuation was prepared on the basis of market value in accordance with the practice statements contained in the RICS Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors. The effect of this valuation was accounted for in the company's accounts for the period ended 31 December 2006.

The historical cost and net book value of the company's freehold land and buildings included above at valuation is as follows:

	Historical cost 2006 £'000	Historical net book value 2006 £'000
Freehold land and buildings	9,210	9,199

7 Debtors

	2006 £'000
Amounts due from group undertakings	649

Notes (continued)

8 Provision for liabilities and charges

	2006 £'000
Deferred taxation	
Charge in period	1,176
At end of period	<u>1,176</u>

The amounts provided for deferred taxation and the amounts not provided are set out below

	2006 Provided £'000	Unprovided £'000
Difference between accumulated depreciation and capital allowances	1,176	-

9 Called up share capital

	2006 £000
Authorised	
25,000,000 ordinary shares of £1 each	25,000
Allotted, called up and fully paid	
10,500,001 ordinary shares of £1 each	<u>10,500</u>

On 24 October 2005, one ordinary share of £1 was issued, fully paid, as part of the company's incorporation

On 14 December 2005, 10,500,000 ordinary shares of £1 each were issued, fully paid to raise funds to acquire the Hampshire Court Hotel

10 Reserves

The reserves of the company are as follows

	Revaluation reserve £'000	Profit & loss account £'000	Total £'000
Revaluation of freehold property in period	3,115	-	3,115
Retained loss for the period	-	(573)	(573)
At end of period	<u>3,115</u>	<u>(573)</u>	<u>2,542</u>

11 Reconciliation of movements in shareholders' funds

	2006 £'000
Shares issued in period	10,500
Loss for the period	(573)
Revaluation of freehold property in period	3,115
Closing shareholders' funds	<u>13,042</u>

Notes *(continued)*

12 Ultimate controlling party

The entire issued share capital of the company is owned by MH Freeholds Limited. The ultimate controlling party is QHotels Group Limited, a company incorporated in Great Britain and registered in England and Wales. The Group accounts of QHotels Group Limited can be obtained from Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3UZ. 86.7% of the issued share capital of QHotels Group Limited is held by Alchemy Partners Nominees Limited on behalf of investors in the Alchemy Investment Plan. The Alchemy Investment Plan is managed by Alchemy Partners (Guernsey) Investment Limited.

13 Contingent liabilities

The company is a participant in QHotels Limited's term loan borrowings whereby these borrowings are secured by fixed and floating charges over the company's assets.