Registration number: 00719804
(England and Wales)

Ribbon Hotels Group (UK) Limited

Annual Report and Financial Statements

For the year ended 31 December 2016

Ribbon Hotels Group (UK) Limited

Contents

Ribbon Hotels Group (UK) Limited

Company Information

Directors

PT Mabry
JB Robinson
SM Teasdale

Company secretary

Haysmacintyre Company Secretaries Limited
26 Red Lion Square
London
WC1R 4AG

Company number

00719804

Registered office

26 Red Lion Square
London
WC1R 4AG

Auditors

Deloitte LLP
Statutory Auditor
London, United Kingdom

Strategic Report
For the Year Ended 31 December 2016

The directors present their strategic report for the year ended 31 December 2016.

Principal activity
The principal activity of the company is the ownership and operation of hotels in the United Kingdom.

Fair review of the business
The company operates hotels under a franchise agreement with InterContinental Hotels Group PLC ("IHG"). On 1 December 2015, the company was acquired by Ribbon Holdco Limited and its subsidiaries (together the "group"). Lapithus Hotels Management UK Limited, the immediate parent of the group, managed the company's portfolio of hotels on a central basis under a management contract at the year end.

On 30 September 2016 the company sold its leasehold interest in Holiday Inn Mayfair. During the previous year the company sold its leasehold interest in Holiday Inn Leicester.

The directors believe that in 2017 the company will benefit from continued improvement in the underlying economy and demand for hotels in the UK, boosted by planned capital injections and refurbishment of assets throughout the year. The directors continue to monitor potential impact to the business as a result of the exit of Britain from the European Union, and mitigate any risks as they arise.

Results
The company's development to date, performance and the financial position as reflected in the financial statements is satisfactory. The directors have concluded that the company is a going concern, please refer to note 2.

Principal risks and uncertainties and financial risk management objectives and policies
The Board of directors have the overall responsibility for the establishment and oversight of the risk management framework. The senior management is responsible for developing and monitoring the risk management policies and reports regularly to the Board of directors. The risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and company's activities.

Demand risk
The company is exposed to the inherent risks of economic and financial market developments, including recession, inflation, availability of affordable credit and currency fluctuations that could lower revenues and reduce income. A recession reduces leisure and business travel and adversely affects room rates and/or occupancy levels and other income generating activities, resulting in deterioration of results of operations and potentially reducing the value of properties in affected economies. Through a continual business review process and monitoring of the business environment, together with the terms and the services standards required of IHG under the franchise agreement, the directors of the company and the wider group seek to mitigate these potential risks.

The main risks arising from the company's financial instruments are credit risk, liquidity risk and interest rate risk. The Board reviews and agrees policies for managing these risks and is summarized below.

Credit risk
The company's principal financial assets are trade and other receivables. The credit risk on trade and other receivables is limited by the company's exposure being spread over a large number of counterparties and customers and by the support of the group. Receivable balances are monitored on an ongoing basis and provisions are made when there is objective evidence of impairment. The amounts presented in the balance sheet are net of allowances for doubtful debts. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Liquidity risk
The company is financed by way of shares and intercompany loans. The company manages liquidity risk by maintaining a balance between the continuity of funding and flexibility through use of loans from the company's group undertakings. The group has agreed to provide sufficient liquidity as necessary to allow the company to meet its obligations for at least the next twelve months from the date of approval of these financial statements.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of the company's interest bearing financial instruments will fluctuate because of changes in market interest rates. The company is exposed to interest rate risk because it borrows funds at interest rates based on Libor. The positions held are closely monitored by the management and reviewed to align the positions with market expectations.

Key performance indicators
Total revenue for the year from continuing operations was £16.9m (2015: £16.7m), representing an increase of 1.3% compared to the previous year (2015: increase of 1%). Management's emphasis continues to be on increasing average room rate levels of occupancy and total room revenue. Revenue per available room was £67.62 (2015: £66.70) and total room revenue was £11.6m (2015: £11.4m).

The business of the company is also reviewed on a central basis and, therefore, further key performance indicators are not appropriate for an understanding of the development, performance and position of the company's business.

Approved by the Board on 7 July 2017 and signed on its behalf by:

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JB Robinson
Director

Ribbon Hotels Group (UK) Limited

Directors' Report
For the year ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Future developments
The trading environment is expected to remain broadly unchanged during 2017 and the group will seek to improve revenue whilst continuing to review the underlying cost base. The hotels' market positioning will benefit from continuing capital expenditure in 2017.

Principal risks and uncertainties
The principal risks and uncertainties to which the company is exposed is discussed in the Strategic Report.

Dividends
The directors do not recommend a dividend for the current period. No dividend was paid in the current or prior period.

Directors of the company
The directors, who held office during the year, were as follows:

PT Mabry
JB Robinson
SM Teasdale

Directors' liabilities
The company maintains liability insurance for its directors and officers and remains in force at the date of this report.

Employment policy
The operations of the group were managed on a central basis under a management agreement with Redefine BDL Hotels Limited until 31 August 2016, when this transitioned to Lapithus Hotels Management UK Limited. The company relies on the terms of the management agreement, as regards employees, in that the management company shall take all steps to enable the group to comply with any obligations it may have. As such, the employment policies in place embody the principles of equal opportunity. This includes suitable procedures to support the policy that individuals should not be discriminated against on the basis of race, disability, age, gender, sexuality or religion and that they should be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities. The value of employee involvement in effective communications is recognised, as is the need for their contribution to decision making on matters affecting their jobs. To achieve employee involvement at the most relevant level, there is a framework in place for consultation and information.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Creditor payment policy
The company agrees commercial terms with suppliers (including payment terms) and, if performance accords with these terms, aims to abide by the agreed payment arrangements.

Directors' Report

For the year ended 31 December 2016 (continued)

Disclosure of information to the auditors
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Reappointment of auditors
The auditors Deloitte LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 7 July 2017 and signed on its behalf by:

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JB Robinson
Director

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the applicable 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 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.

Independent Auditor's Report to the Members of Ribbon Hotels Group (UK) Limited

We have audited the financial statements of Ribbon Hotels Group (UK) Limited for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 27. 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), including FRS 101 'Reduced Disclosure Framework'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Statement of Directors' Responsibilities, 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.

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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the 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 2016 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 requirements of the Companies Act 2006.

Independent Auditor's Report to the Members of Ribbon Hotels Group (UK) Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

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.

Helen Burridge

Helen Burridge (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor

London, United Kingdom

7 July 2017

Ribbon Hotels Group (UK) Limited

Income Statement
For the year ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Continuing operations			
Revenue	5	16,947	16,726
Cost of sales		(1,172)	(1,131)
Gross profit		**15,775**	**15,595**
Selling and distribution costs		(758)	(763)
Administrative expenses		(13,584)	(12,780)
Other losses	6	(6)	-
Operating profit	7	**1,427**	**2,052**
Finance income		120	144
Finance cost		(1,868)	(1,915)
(Loss)/profit before tax		**ny regi81**	**281**
Tax charge	13	(1,052)	(403)
Loss for the year from continuing operations		**(1,373)**	**(122)**
Discontinued operations			
Profit for the year from discontinued operations	4	6,074	18,824
Total comprehensive income for the year		**4,701**	**18,702**

There is no other comprehensive income for the period other than those included above, therefore a statement of other comprehensive income has not been presented.

Ribbon Hotels Group (UK) Limited

Statement of Financial Position
At 31 December 2016

	Note	2016 £ 000	2015 £ 000
Assets			
Non-current assets			
Property, plant and equipment	14	7,240	8,560
Investments	15	45,181	45,181
Other financial assets	16	85	85
		52,506	53,826
Current assets			
Inventories	17	43	68
Trade and other receivables	18	140,435	125,807
Cash and cash equivalents	19	9	13
Other financial assets	16	7,590	7,590
		148,077	133,478
Total assets		**200,583**	**187,304**
Equity and liabilities			
Equity			
Retained earnings		69,044	64,343
Non-current liabilities			
Deferred tax liabilities	22	82	443
Current liabilities			
Trade and other payables	20	56,432	47,493
Income tax liability		473	473
Loans and borrowings	21	74,552	74,552
		131,457	122,518
Total liabilities		**131,539**	**122,961**
Total equity and liabilities		**200,583**	**187,304**

The notes on pages 12 to 27 form an integral part of these financial statements.

Approved by the Board on 7 July 2017 and signed on its behalf by:

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JB Robinson

Director

Company registered number: 00719804

Ribbon Hotels Group (UK) Limited

Statement of Changes in Equity
For the Year Ended 31 December 2016

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2015	-	45,641	45,641
Profit for the year	-	18,702	18,702
At 31 December 2015	**-**	**64,343**	**64,343**

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2016	-	64,343	64,343
Profit for the year	-	4,701	4,701
At 31 December 2016	**-**	**69,044**	**69,044**

1 General information

Ribbon Hotels Group (UK) Limited (the company) is a private company limited by shares, incorporated and domiciled in the United Kingdom and registered in England. The address of its registered office is disclosed in the company information. The principal activity of the company is described in the Strategic Report.

2 Accounting policies

(a) Basis of preparation

The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

The financial statements have been prepared on the historical cost basis and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with adopted FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Judgements made by management in the application of FRS 101 that have a significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in note 3.

The presentation and functional currency of the company is pounds sterling. The financial statements are presented in thousands of pounds (£'000) unless stated otherwise.

(b) Summary of disclosure exemptions

The following exemptions from the requirements of IFRS have been applied in preparation of these financial statements, in accordance with FRS 101:

- IFRS 7 Financial instruments: Disclosures
- The following paragraphs of IAS 1 Presentation of financial statements:
  - 10(d) statement of cash flows
  - 16 statement of compliance with all IFRS
  - 134-136 capital management disclosures,
- Paragraph 30 and 31 of IAS 8, disclosure and impact of new IFRSs that has been issued but not yet effective, and
- The requirements in IAS 24 of Related party disclosures, to disclose related party transactions entered between two or more members of a group.

Where relevant equivalent disclosures have been given in the consolidated financial statements of Ribbon Midco Limited. The consolidated financial statements of Ribbon Midco Limited will be available to the public and can be obtained from 26 Red Lion Square, London, WC1R 4AG.

2 Accounting policies (continued)

(c) Consolidation exemption

The financial statements contain information about Ribbon Hotels Group (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, SC Hotels & Holidays Limited, a company incorporated in United Kingdom. Refer to registered address in note 27.

(d) Going concern

The company is part of Ribbon Holdco Limited group and assess its going concern assumption on a group wide basis. The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report.

The group meets its day to day working capital requirements from normal trading activities through its portfolio of hotels. The group's existing debt facility is secured until December 2018. The group's financial forecasts, taking account of the existing loan terms and current trading performance, show that the group will be able to operate within the level of its current and future facilities and remain in compliance with the terms of its loan agreements.

After making enquiries, the directors have a reasonable expectation that the Group and the company has adequate resources to continue in operational existence for at least the twelve months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

(e) Foreign currencies

In preparing these financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

(f) Revenue recognition

The revenue is primarily derived from hotel operations, including the rental of rooms and sale of food and beverage from a network of owned and leased hotels operated under the InterContinental Hotel Group's brand names.

Revenue is measured at the fair value of the consideration received or receivable excluding value added tax. Revenue is reduced for discounts and other similar allowances.

Revenue from rooms, food and beverage and other related services is recognised when the room is occupied, food and beverages are sold and other related services on the performance of services.

2 Accounting policies (continued)

(g) Finance income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Parts of an item of property, plant and equipment having different useful lives are accounted for as separate items.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leases under which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, assessed at inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset as noted below.

(i) Depreciation

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold and long leasehold land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Depreciation is provided to write off the cost less estimated residual value, of each asset evenly over its expected useful life as follows:

Asset class	**Depreciation method and rate**
Freehold buildings	Periods up to 50 years
Leasehold buildings	Over the shorter of 50 years and their remaining lease periods
Non-core assets (including buildings surface finishes and services)	Periods up to 25 years
Plant and machinery	Between 5 and 15 years
Furniture and equipment	Between 3 and 20 years

(j) Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment.

2 Accounting policies (continued)

(k) Impairment of investments

At the end of each reporting period, the company reviews the carrying amounts of its investments to determine whether there is any indication that those investments have suffered an impairment loss. If any such indication exists, the recoverable amount of the investments is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

(m) Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

2 Accounting policies (continued)

(n) Impairment of non-financial assets

At the end of each reporting period, the company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The impairment review is performed on an income generating unit basis.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(o) Defined contribution pension obligation

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(p) Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value.

The company's non-derivative financial instruments include loans and receivables and other financial liabilities.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments. These include:

Trade and other receivables
Other receivables are initially recognised at fair value, based upon discounted cash flows at prevailing interest rates for similar instruments, or at their nominal amount less impairment losses if due in less than 12 months. Subsequent to initial recognition, other receivables are valued at amortised cost less impairment losses.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. The cash and cash equivalents are stated at their nominal values, as this approximates to amortised cost.

2 Accounting policies (continued)

(p) Financial instruments (continued)

Other financial liabilities
Other financial liabilities (including loans and borrowings and other payables) are subsequently measured at amortised cost using the effective interest method.

Loans and borrowings
These are initially recognised at fair value, based upon the nominal amount outstanding. Subsequent to initial recognition, they are recorded at amortised cost. Borrowing costs arising on loans & borrowings are expensed as incurred within finance costs using the effective interest method.

Trade and other payables
Other payables are initially recognised at fair value, based upon the nominal amount outstanding. Subsequent to initial recognition, they are recorded at amortised cost.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets
Financial assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. These financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the assets have been affected. Objective evidence of impairment could include:

- Default by a debtor;
- significant financial difficulty of the debtors or counterparty;
- breach of contract; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss.

2 Accounting policies (continued)

(p) Financial instruments (continued)

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derecognition of financial assets
The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. Any interest in such transferred financial assets that is created or retained by the company is recognised as a separate asset or liability.

Derecognition of financial liabilities
The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(q) Taxation

Tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the period. Taxable profit differs from 'profit before tax' as reported in profit and loss account because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

2 Accounting policies (continued)

(q) Taxation (continued)

Current and deferred tax for the year
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in the statement of other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in the statement of other comprehensive income or directly in equity respectively.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors of the company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty
The key source of estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year, is discussed below.

Impairment of investment in subsidiary undertakings
Determining whether the company's investment in subsidiary undertakings have been impaired requires estimations of the investment's values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investment and suitable discount rates in order to calculate present values. Based on the assessment made during the period, the investment in subsidiary undertakings is not considered to be impaired. See note 15.

Impairment of land and buildings
Determining whether the company's land and buildings have been impaired requires estimations of their values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the use of the asset over its estimated useful life and suitable discount rate in order to calculate present values.

Deferred tax
The determination as to whether assets will be consumed through use or sale can have a significant impact on their tax bases, which has a material impact on the deferred tax liability arising on differences between their carrying values and tax bases. Management has concluded that the short leasehold land and buildings will be consumed in full over the life of the lease and that long leasehold and freehold buildings will be partially consumed through use in line with the depreciation policy. All other fixed assets are assumed to be consumed through use.

Trade and other receivables
The total carrying amount of trade and other receivables are net of impairment losses after giving consideration to past experience of collecting payments, the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions. A different assessment of these considerations may result in different values being determined.

4 Discontinued operations

Holiday Inn Leicester
On 10 March 2015, the company disposed of one of its hotels, which formed part of the company operations.

The results of the discontinued operations, which have been included in the income statement, were as follows:

	2015 £ 000
Revenue	2,947
Expenses	(2,661)
Profit before tax	286
Tax expense relating to profit before tax of discontinued operations (note 13)	(400)
Profit on disposal of discontinued operations	16,320
Net gain attributable to discontinued operations	**16,206**

Holiday Inn London Mayfair
On 30 September 2016, the company disposed of one of its hotels, which formed part of the company operations.

The results of the discontinued operations, which have been included in the income statement, were as follows:

	2016 £ 000	2015 £ 000
Revenue	9,386	12,525
Expenses	(8,475)	(10,550)
Profit before tax	911	1,975
Tax credit relating to profit before tax of discontinued operations (see note 13)	11	643
Profit on disposal of discontinued operations	5,152	-
Net gain attributable to discontinued operations	**6,074**	**2,618**

5 Revenue

The revenue of the company is derived from its principal activity of owning and operating hotels in the United Kingdom. The analysis of the company's revenue for the year from continuing operations is as follows:

	2016 £ 000	2015 £ 000
Hotel operations	16,947	16,726

6 Other gains and losses

The analysis of the company's other gains and losses for the year is as follows:

	2016 £ 000	2015 £ 000
Loss on disposal of property, plant and equipment	(6)	-

7 Operating profit

Profit for the period from continuing operations has been arrived at after charging:

	2016 £ 000	2015 £ 000
Depreciation expense	1,146	975
Staff costs (note 10)	4,714	5,584
Operating lease expense - property	4,652	5,861
Operating lease expense - plant and machinery	80	135

8 Finance income

	2016 £ 000	2015 £ 000
Interest income from group undertakings	114	144
Income from preference shares in group undertakings	6	-
	120	144

9 Finance costs

	2016 £ 000	2015 £ 000
Interest paid to group undertakings	1,868	1,915

10 Staff costs

The average number of salaried staff employed, excluding directors, during the financial year amounted to 238 employees (2015: 394 employees).

The above numbers are averages for the year and calculated on a full-time equivalent basis. The aggregate payroll costs were as follows:

	2016 £ 000	2015 £ 000
Wages and salaries	4,358	5,198
Social security costs	297	327
Pension costs, defined contribution scheme (note 25)	59	59
	4,714	5,584

11 Directors' remuneration

The directors received no emoluments or benefits from the company for their services in the current or prior period.

12 Auditors' remuneration

Auditor's remuneration of £26,100 (2015: 10,500) has been borne by a fellow group undertaking in both the current and prior year.

13 Income tax

Tax charged/(credited) in the income statement

	2016 £ 000	2015 £ 000
Current taxation		
UK corporation tax	1,338	539
Adjustment in respect of previous years	64	(31)
Corporation tax charge for current period	1,402	508
Deferred taxation		
Origination and reversal of temporary differences	(340)	(258)
Adjustment in respect of previous years	3	(12)
Effect of changes in tax rate	(24)	(78)
Total deferred taxation	(361)	(348)
Tax charge in the income statement	**1,041**	**160**

Factors affecting current tax charge for the period

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2015: lower than the standard rate of corporation tax in the UK) of 194.64% (2015: 150.32%). Reductions in the UK tax rate effective from 1 April 2020 from 18% to 17% were substantively enacted on 15 September 2016, resulting in a reduction in the current year tax.

The differences are reconciled below:

	2016 £ 000	2015 £ 000
Profit before tax	5,742	18,862
Corporation tax at standard rate	1,148	3,819
Effects of:		
Income not chargeable for tax purposes	(350)	(5,012)
Expenses no deductible for tax purposes	371	1,706
Disposal of property, plant and equipment	(253)	(701)
Change in unrecognised deferred tax assets	23	7
Change in property tax base	-	430
Adjustments in respect of previous years	67	(43)
Effect of changes in tax rate	35	(46)
Total tax charge	**1,041**	**160**

13 Income tax (continued)

Factors affecting the tax charge in future years
Under Finance Act 2015, the UK corporation tax rate reduced from 20% to 19% on 1 April 2017. Also under Finance Act 2015, the rate was due to reduce from 19% to 18% from 1 April 2020 but in Finance Act 2016, which was substantially enacted on 15 September 2016, the rate that will apply from 1 April 2020 was reduced from 18% to 17%. These rate reductions will reduce the future tax charge of the group.

14 Property, plant and equipment

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Plant and machinery £ 000	Total £ 000
Cost				
At 1 January 2016	11,991	10,528	9,090	31,609
Additions	-	113	17	130
Disposals	(3,712)	(6,020)	(4,725)	(14,457)
At 31 December 2016	8,279	4,621	4,382	17,282
Depreciation				
At 1 January 2016	7,464	8,338	7,247	23,049
Charge for the year	565	330	251	1,146
Eliminated on disposal	(4,543)	(4,906)	(4,704)	(14,153)
At 31 December 2016	3,486	3,762	2,794	10,042
Net book value				
At 31 December 2016	**4,793**	**859**	**1,588**	**7,240**
At 31 December 2015	4,527	2,190	1,843	8,560

Included within the net book value of land and buildings above is £4.8m (2015: £4.1m) in respect of long leasehold land and buildings and £Nil (2015: £0.4m) in respect of short leasehold land and buildings.

The company's land and buildings are held as security in respect of bank loans taken by Ribbon Bidco Limited and Ribbon Mezzco Limited, the company's intermediate parent undertakings.

Ribbon Hotels Group (UK) Limited

Notes to the Financial Statements
For the year ended 31 December 2016 (continued)

15 Investments

Subsidiaries	**£ 000**
Cost	
At 1 January 2016	45,181
At 31 December 2016	45,181
Net book value	
At 31 December 2016	**45,181**
At 31 December 2015	**45,181**

Details of the subsidiaries as at 31 December 2016 are as follows:

Name of subsidiary	Principal activity	Ownership interest in ordinary shares (%) 2016	2015
Ribbon Holdings Limited*	Investment	100%	100%
Centre Hotels (Cranston) Limited*	Investment	100%	100%
Ribbon IG Limited	Dormant	100%	100%
HI (Brent Cross) Limited*	Property ownership	100%	100%
HI (Maidenhead) Limited*	Property ownership	100%	100%
HI (Strathclyde) Limited*	Intercompany loans	100%	100%
Ribbon Holdings No.2 Limited*	Dormant	100%	100%

* indicates direct investment by the company.

All of the listed subsidiaries have a registered office at 26 Red Lion Square, London, WC1R 4AG, England, except for Centre Hotels (Cranston) Limited which is registered at 107 Queensferry Road, Edinburgh, EH4 3HL, Scotland.

16 Other financial assets

	2016 £ 000	2015 £ 000
Non-current financial assets		
Preference shares - at fair value through profit and loss	85	85

	2016 £ 000	2015 £ 000
Current financial assets		
Loans to group undertakings	7,590	7,590

Loans to group undertakings consist of the following:
(a) A loan of £4.9m (2015: £4.9m) on which interest is receivable at Libor +1% (2015: 1%). The loan has no specific repayment terms.
(b) A loan of £2.6m (2015: £2.6m) on which interest is receivable at Libor +1% (2015: 1%). The loan has no specific repayment terms.

17 Inventories

	2016 £ 000	2015 £ 000
Consumables	43	68

18 Trade and other receivables

	2016 £ 000	2015 £ 000
Trade receivables	371	727
Provision for impairment of trade receivables	(169)	(126)
Net trade receivables	202	601
Receivables from group undertakings	139,280	123,593
Prepayments	593	1,363
Other receivables	360	250
	140,435	**125,807**

The receivables from other group entities bear no interest and are repayable on demand.

19 Cash and cash equivalents

	2016 £ 000	2015 £ 000
Cash at bank	9	13

20 Trade and other payables

	2016 £ 000	2015 £ 000
Trade payables	516	278
Accrued expenses	812	1,173
Payables to group undertakings	54,318	45,104
Social security and other taxes	449	403
Other payables	337	535
	56,432	47,493

The payables to other group undertakings bear no interest and are repayable on demand.

21 Loans and borrowings

	2016 £ 000	2015 £ 000
Current loans and borrowings		
Loans from group undertakings	74,552	74,552

Loans from group undertakings consists of the following:
(a) A loan of £74.5m (2015: £74.5m) on which interest is payable at Libor +2% (2015: Libor +2%). The loan has no specific repayment terms.

22 Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	At 1 January 2016 £ 000	Credit to income statement £ 000	At 31 December 2016 £ 000
Accelerated tax depreciation	443	(361)	82

Deferred tax assets in respect of potential capital losses on the eventual disposal of land and residual value of buildings have not been recognised.

There are £1.6m of deductible temporary differences (2015: £1.2m) for which no deferred tax asset is recognised in the statement of financial position.

23 Share capital

Allotted, called up and fully paid shares

	2016 No. 000	2016 £ 000	2015 No. 000	2015 £ 000
Ordinary shares of £1 each	-	-	-	-

24 Obligations under leases

Operating lease arrangements

At the balance sheet date, the company had outstanding commitments to external parties for future minimum lease payments under non-cancellable operating leases over long and short leasehold land and buildings, which fall due as follows:

	2016 £ 000	2015 £ 000
Within one year	-	3,890
In two to five years	-	8,260
	-	12,150

The operating lease arrangements were related to Holiday Inn London Mayfair which was disposed of during 2016.

25 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £75,177 (2015: £81,591).

There were no contributions outstanding at year-end (2015: £Nil).

26 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £116,000 (2015: £6,000).

27 Parent and ultimate parent undertaking

The immediate parent of the company is SC Hotels & Holidays Limited, a company incorporated in the United Kingdom. The ultimate controlling party is Apollo Global Management LLC, a company incorporated in Delaware, United States of America.

The largest group to consolidate these financial statements is that of Apollo Global Management LLC. The consolidated financial statements of Apollo Global Management LLC for the year ended 31 December 2016 are available to the public and may be obtained from its registered address and principal place of business, 9 West 57th Street, 43rd Floor, New York, New York 10019, United States of America.

The smallest group to consolidate these financial statements is that of Ribbon Midco Limited. The consolidated financial statements of Ribbon Midco Limited for the year ended 31 December 2016 are available to the public and may be obtained from its registered address and principal place of business 26 Red Lion Square, London, WC1R 4AG.