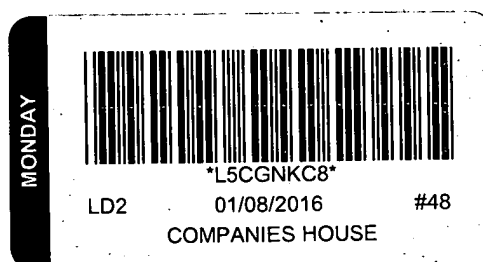


**FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JANUARY 2016**



**MHA MacIntyre Hudson**  
GLOBAL EXPERTISE • NATIONAL EXPERIENCE • LOCAL EXCELLENCE\*

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# FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

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## COMPANY INFORMATION

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### Directors

T. J. R. Kemp  
~~C. M. Aberle~~  
C. K. B. Brotchie  
J. P. Gray

### Company secretary

M. T. Soden

### Registered number

04648681

### Registered office

21 Golden Square  
London  
W1F 9JN

### Independent auditor

MHA MacIntyre Hudson  
Chartered Accountants & Statutory Auditors  
New Bridge Street House  
30-34 New Bridge Street  
London  
EC4V 6BJ

### Bankers

Lloyds Bank PLC  
39 Threadneedle Street  
London  
EC2R 8AU

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FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

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GROUP STRATEGIC REPORT  
FOR THE YEAR ENDED 31 JANUARY 2016

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**Introduction**

The directors have pleasure in presenting their report and the financial statements of the Group for the year ended 31 January 2016.

**Business review**

The principal activity of the Group is that of luxury hotel developer and operator in London and New York. The properties it owns and operates in London are the Covent Garden Hotel, the Charlotte Street Hotel, the Soho Hotel, the Haymarket Hotel and the Ham Yard Hotel in the West End, and the Knightsbridge Hotel, Number 16 hotel and Dorset Square Hotel in Knightsbridge, South Kensington and Marylebone respectively. It also owns and operates the Crosby Street Hotel in the SoHo district of Manhattan, New York.

Firmdale's Ham Yard Hotel is situated in the Soho area of London on the edge of Mayfair and opened on 1st June 2014 to much critical acclaim. It comprises 91 bedrooms, 24 longer stay apartments, 13 retail units, restaurant, and several extensive private events spaces including a theatre, bowling alley, and a rooftop terrace. In its first year of operation it was recognised in the 2014 Mr and Mrs Smith, Smiths Travel Awards as "Best Newcomer" and the Tatler Travel Awards as "Most Fun Ever". In 2015 it was further recognised as the Hotels & Hospitality winner in the New London Architecture awards and received the Westminster Society Award for Contribution to Urban Vitality.

The company also won an award for Excellence in Corporate Social Responsibility at the HR in Hospitality awards as well as being shortlisted as a Best Company to Work For in Hospitality Catey award.

The Independent Hotel Show Awards recognised Tim and Kit Kemp as their 2014 Independent Hotelier of the Year.

*Revenue Performance*

During 2015 the UK reported a slowdown in GDP growth and much of the financial year was characterised by a stagnating economy in Europe and the Chinese and other emerging market economies slowing significantly.

As a result BDO Leisure & Hospitality reported that rooms yield in the London hotels market as a whole increased just 1.1%, and this was primarily driven by the lower end of the market. Against this background Firmdale are pleased to report that their London hotels showed an overall increase of 5.4% in rooms yield.

Total Revenues for the combined London hotels including Ham Yard increased by 20% to £92.5m. The business mix was 57% from Rooms, 41% Food & Beverage and 2% from other sales.

The Crosby Street Hotel in New York continues to trade from strength to strength delivering a year on year sales growth of 4.8% driven by increases in occupancy, room rate and Food & Beverage. Total Revenues were \$33.6m (£23.5m).

Total Group Turnover reached a new record of £117.6m, representing increases of 18%, 50% and 70% over 1 year, 3 years and 5 years respectively.

*Future Developments*

The Whitby Hotel under construction in 56th Street between 5th and 6th Avenue in midtown Manhattan, New York is progressing well and scheduled for opening in late 2016.

The Group is seeking further development opportunities in London and New York but at present there are no specific projects secured.

**GROUP STRATEGIC REPORT (continued)  
FOR THE YEAR ENDED 31 JANUARY 2016**

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**Principal risks and uncertainties**

The principal financial risks faced by the Group, and the Group's objectives and policies in relation to those risks, are as follows:

*Cash flow risk*

The finance department closely manages the Group's cash flow. Detailed cash flow forecasts are regularly prepared with the objective of alerting the directors to potential future risks. It is the Group's policy to ensure that forecast funding requirements can be met with available committed facilities.

*Interest rate risk*

The Group's interest rate policy has the twin objective of minimising net interest expense whilst providing protection from material adverse movements in interest rates. The Group has fixed £120m of borrowings (50% of total) at an inclusive rate of 4.223% for ten years from November 2014. It has also contracted interest rate caps in respect of a further 27% of borrowings in both London and New York to further mitigate any material adverse movements in interest rates.

*Currency risk*

The company faces a currency risk on its net assets and earnings, on translation of foreign currency transactions.

**Financial key performance indicators**

Combined average room rate across the eight London properties increased 5.7% to £349 during the year whilst average occupancy held at 84%. Average Rooms Yield thereby increased by 5.4%.

London Food & Beverage Revenues increased 24% to £38m with the aid of the Ham Yard Hotel.

Income from Private Events now contributes 13% of revenues in London.

Conversion of London Hotel Revenues to Gross Operating Profit improved 1% point to 40%.

The Crosby Street Hotel improved both occupancy and average room rate to 86.6% and \$860 respectively. Food & Beverage revenues increased 2% to \$9.3m (£6.5m).

Total Group Turnover reached a new record of £117.6m, representing increases of 18%, 50% and 70% over 1 year, 3 years and 5 years respectively.

**Going concern**

After performing their assessment and making appropriate enquiries, the directors have a reasonable expectation that the Group will remain a going concern for the foreseeable future and accordingly, the financial statements have been prepared on a going concern basis. The results and conclusions of the going concern assessment are described in more detail in note 2.3 of the financial statements.

This report was approved by the board and signed on its behalf.



**T. J. R. Kemp**  
Director

Date: 29.7.16

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 JANUARY 2016**

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

**Directors' responsibilities statement**

The directors are responsible for preparing the Group strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group financial statements and then apply them consistently;
- make judgments 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; 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Results and dividends**

Earnings before Tax, Depreciation and Exceptional Items were £6.5m. The loss for the year amounted to £8.6m net of £2.7m impairment loss and £10.5m of depreciation.

Dividends of £841,566 were paid by the Company in the year.

**Directors**

The directors who served during the year were:

T. J. R. Kemp  
C. M. Aberle  
C. K. B. Brothie  
J. P. Gray

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 JANUARY 2016**

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**Financial instruments**

The Group has established a risk and financial management framework whose primary objectives are to protect the Group from events that hinder the achievement of the Group's performance objectives.

The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Further detail in respect of the Group's exposure to risks such as price, cashflow and liquidity risk has been provided in the Strategic Report set out on pages 1 to 2.

**Employee involvement**

During the year, the policy of providing employees with information about the Group has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the Group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the Group's profit sharing schemes.

**Disabled employees**

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

**Qualifying third party indemnity provisions**

The Group has maintained qualifying directors and officers insurance throughout the financial year and to the date of this report.

**Matters covered in the strategic report**

Included within the Strategic Report set out on pages 1 to 2 is an indication of likely future developments as required by Sch.7(1)b of the Companies Act 2006.

**Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

**Events after the reporting period**

There have been no significant events affecting the Group since the year end.

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FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

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DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 JANUARY 2016

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**Auditors**

The auditor, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 487(2) of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



**T. J. R. Kemp**  
Director

Date: 29.7.16



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS**

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We have audited the financial statements of Firmdale Holdings Limited and subsidiary undertakings for the year ended 31 January 2016, set out on pages 8 to 45. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's shareholders, 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 shareholders 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 shareholders 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 Directors' responsibilities statement set out on page 3, 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 Financial Reporting Council'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 Group's and the parent 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 Group strategic report and the Directors' 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 financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 January 2016 and of the Group's result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Directors' report has been prepared in accordance with applicable legal requirements.

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FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRMDALE HOLDINGS LIMITED AND  
SUBSIDIARY UNDERTAKINGS

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**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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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 Sutton FCA (Senior statutory auditor)

for and on behalf of  
**MHA MacIntyre Hudson**

Chartered Accountants  
Statutory Auditors

New Bridge Street House  
30-34 New Bridge Street  
London  
EC4V 6BJ

Date: 29 July 2016

**FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS**

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 JANUARY 2016**

		<b>2016 £000</b>	<b>2015 £000</b>
Turnover	2.4,4	<b>117,644</b>	99,627
Cost of sales		<b>(68,741)</b>	(53,033)
<b>Gross profit</b>		<b>48,903</b>	46,594
Administrative expenses		<b>(42,421)</b>	(42,630)
Exceptional administrative expenses	13	<b>(2,677)</b>	(2,678)
Net loss on financial liabilities at fair value through profit or loss	14	<b>-</b>	(8,658)
<b>Operating profit/(loss)</b>	5	<b>3,805</b>	(7,372)
Amounts written off investments		-	102
Interest receivable and similar income	9	<b>7</b>	5
Interest payable and similar charges	10	<b>(10,533)</b>	(8,817)
<b>Loss before tax</b>		<b>(6,721)</b>	(16,082)
Tax on loss on ordinary activities	11	<b>(1,920)</b>	3,049
<b>Loss for the year</b>		<b>(8,641)</b>	(13,033)
<b>Loss for the year attributable to:</b>			
Non-controlling interests		<b>107</b>	83
Owners of the parent		<b>(8,748)</b>	(13,116)
		<b>(8,641)</b>	(13,033)

The notes on pages 19 to 45 form part of these financial statements.

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FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 JANUARY 2016

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	2016 £000	2015 £000
Loss for the financial year	(8,641)	(13,033)
<b>Other comprehensive income</b>		
Unrealised surplus on revaluation of tangible fixed assets	42,919	154,952
Currency translation differences	1,419	(2,165)
<b>Other comprehensive income for the year</b>	<b>44,338</b>	<b>152,787</b>
<b>Tax on other comprehensive income</b>		
Deferred tax charge on revalued freehold properties	(2,143)	(40,477)
Deferred tax (charge)/credit on revalued leasehold properties	737	(1,212)
<b>Other comprehensive income net of tax</b>	<b>42,932</b>	<b>111,098</b>
<b>Total comprehensive income for the year</b>	<b>34,291</b>	<b>98,065</b>
<b>Total comprehensive income attributable to:</b>		
Non-controlling interest	107	83
Owners of the parent Company	34,184	97,982
	<b>34,291</b>	<b>98,065</b>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 JANUARY 2016

	Note	2016 £000	2015 £000
<b>Fixed assets</b>			
Tangible assets	16	668,523	605,197
Investment property	18	1,499	1,499
		<u>670,022</u>	<u>606,696</u>
<b>Current assets</b>			
Stocks	19	1,102	1,113
Debtors: amounts falling due within one year	20	9,030	10,405
Cash at bank and in hand	21	16,573	24,564
		<u>26,705</u>	<u>36,082</u>
Creditors: amounts falling due within one year	22	(19,351)	(15,666)
<b>Net current assets</b>		<u>7,354</u>	<u>20,416</u>
<b>Total assets less current liabilities</b>		<u>677,376</u>	<u>627,112</u>
Creditors: amounts falling due after more than one year	23	(250,448)	(237,233)
<b>Provisions for liabilities</b>			
Deferred taxation	26	(89,968)	(86,367)
		<u>(89,968)</u>	<u>(86,367)</u>
<b>Net assets</b>		<u><u>336,960</u></u>	<u><u>303,512</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)  
AS AT 31 JANUARY 2016

	Note	2016 £000	2015 £000
<b>Capital and reserves</b>			
Called up share capital	27	1,668	1,668
Share premium account	28	4,592	4,592
Revaluation reserve	28	318,319	276,979
Retained earnings	28	12,598	20,597
<b>Equity attributable to owners of the parent Company</b>		<b>337,177</b>	<b>303,836</b>
Non-controlling interests		(217)	(324)
		<b>336,960</b>	<b>303,512</b>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



T. J. R. Kemp  
Director

Date: 29.7.16

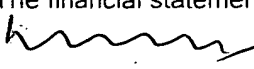
The notes on pages 19 to 45 form part of these financial statements.

**FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS**  
**REGISTERED NUMBER:04648681**

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 JANUARY 2016**

	Note	2016 £000	2015 £000
<b>Fixed assets</b>			
Investments	17	1,727	1,727
		<u>1,727</u>	<u>1,727</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	20	6,858	6,858
		<u>6,858</u>	<u>6,858</u>
Creditors: amounts falling due within one year	22	(901)	(59)
		<u>(901)</u>	<u>(59)</u>
<b>Net current assets</b>		<u>5,957</u>	<u>6,799</u>
<b>Total assets less current liabilities</b>		<u>7,684</u>	<u>8,526</u>
<b>Net assets</b>		<u>7,684</u>	<u>8,526</u>
<b>Capital and reserves</b>			
Called up share capital	27	1,668	1,668
Retained earnings	28	6,016	6,858
		<u>7,684</u>	<u>8,526</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
**T. J. R. Kemp**  
 Director

Date: 29.7.16

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY  
UNDERTAKINGS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JANUARY 2016

	Share capital £000	Share premium £000	Revaluation reserve £000	Retained earnings £000	Equity attributable to owners of parent Company £000	Non- controlling interests £000	Total equity £000
At 1 February 2015	1,668	4,592	276,979	20,597	303,836	(324)	303,512
<b>Comprehensive income for the year</b>							
Loss for the year	-	-	-	(8,748)	(8,748)	107	(8,641)
Currency translation differences	-	-	-	(179)	(179)	-	(179)
Surplus on revaluation of freehold property	-	-	8,806	-	8,806	-	8,806
Surplus on revaluation of leasehold property	-	-	32,687	-	32,687	-	32,687
Surplus on revaluation of other fixed assets	-	-	1,426	-	1,426	-	1,426
Deferred tax charge on revalued freehold properties	-	-	(2,143)	-	(2,143)	-	(2,143)
Deferred tax credit on revalued leasehold properties	-	-	737	-	737	-	737
Retranslation	-	-	1,597	-	1,597	-	1,597
<b>Other comprehensive income for the year</b>	-	-	43,110	(179)	42,931	-	42,931
<b>Total comprehensive income for the year</b>	-	-	43,110	(8,927)	34,183	107	34,290
<b>Contributions by and distributions to owners</b>							
Dividends: Equity capital	-	-	-	(842)	(842)	-	(842)
Transfer to/from profit and loss account	-	-	(1,770)	1,770	-	-	-
<b>At 31 January 2016</b>	<b>1,668</b>	<b>4,592</b>	<b>318,319</b>	<b>12,598</b>	<b>337,177</b>	<b>(217)</b>	<b>336,960</b>



FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY  
UNDERTAKINGS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JANUARY 2015

	Share capital £000	Share premium £000	Revaluation reserve £000	Retained earnings £000	Equity attributable to owners of parent Company £000	Non- controlling interests £000	Total equity £000
At 1 February 2014	1,668	4,592	166,729	32,865	205,854	(407)	205,447
<b>Comprehensive income for the year</b>							
Loss for the year	-	-	-	(13,116)	(13,116)	83	(13,033)
Currency translation differences	-	-	-	(2,165)	(2,165)	-	(2,165)
Deficit on revaluation of freehold property	-	-	(1,329)	-	(1,329)	-	(1,329)
Surplus on revaluation of leasehold property	-	-	156,281	-	156,281	-	156,281
Deferred tax charge on revalued freehold properties	-	-	(40,477)	-	(40,477)	-	(40,477)
Deferred tax credit on revalued leasehold properties	-	-	(1,212)	-	(1,212)	-	(1,212)
<b>Other comprehensive income for the year</b>	-	-	113,263	(2,165)	111,098	-	111,098
<b>Total comprehensive income for the year</b>	-	-	113,263	(15,281)	97,982	83	98,065
Transfer to/from profit and loss account	-	-	(3,013)	3,013	-	-	-
<b>At 31 January 2015</b>	<b>1,668</b>	<b>4,592</b>	<b>276,979</b>	<b>20,597</b>	<b>303,836</b>	<b>(324)</b>	<b>303,512</b>

The notes on pages 19 to 45 form part of these financial statements.

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**FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS**

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**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JANUARY 2016**

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	Share capital £000	Retained earnings £000	Total equity £000
At 1 February 2015	1,668	6,858	8,526
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	-	-
Contributions by and distributions to owners			
Dividends: Equity capital	-	(842)	(842)
At 31 January 2016	1,668	6,016	7,684

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FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

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COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JANUARY 2015

---

	Share capital £000	Retained earnings £000	Total equity £000
At 1 February 2014	1,668	6,858	8,526
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	-	-
At 31 January 2015	1,668	6,858	8,526

The notes on pages 19 to 45 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 JANUARY 2016**

	<b>2016 £000</b>	<b>2015 £000</b>
<b>Cash flows from operating activities</b>		
Loss for the financial year	<b>(8,641)</b>	<b>(13,033)</b>
<b>Adjustments for:</b>		
Depreciation of tangible assets	<b>10,592</b>	<b>11,104</b>
Impairments of fixed assets	<b>2,677</b>	<b>2,678</b>
Loss on disposal of tangible assets	<b>72</b>	<b>97</b>
Profit on partial deemed disposal of investment in subsidiary	<b>-</b>	<b>(102)</b>
Increase in stocks	<b>13</b>	<b>(469)</b>
Interest payable and similar charges	<b>10,533</b>	<b>8,817</b>
Interest receivable and similar income	<b>(7)</b>	<b>(5)</b>
Taxation	<b>1,920</b>	<b>(3,049)</b>
Increase in debtors	<b>1,481</b>	<b>(3,106)</b>
Decrease in amounts owed by groups	<b>(109)</b>	<b>-</b>
Increase in creditors	<b>3,656</b>	<b>(536)</b>
Increase in amounts owed to groups	<b>110</b>	<b>-</b>
Net fair value losses/gains recognised in profit and loss	<b>-</b>	<b>8,658</b>
Taxation paid	<b>(68)</b>	<b>(139)</b>
Foreign exchange	<b>(4,176)</b>	<b>(5,669)</b>
<b>Net cash generated from operating activities</b>	<b>18,053</b>	<b>5,246</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	<b>(27,810)</b>	<b>(35,675)</b>
Sale of tangible fixed assets	<b>(1)</b>	<b>4</b>
Interest received	<b>7</b>	<b>5</b>
<b>Net cash from investing activities</b>	<b>(27,804)</b>	<b>(35,666)</b>

**FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS**

**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**  
**31 JANUARY 2016**

**Cash flows from financing activities**

New secured loans	13,204	236,913
Repayment of loans	-	(152,905)
Dividends paid	(842)	-
Interest paid	(10,533)	(8,817)
Settlement of financial liabilities at fair value through profit or loss	-	(27,910)

**Net cash used in financing activities**

1,829	47,281
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**Net (decrease) / increase in cash and cash equivalents**

(7,922)	16,861
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**Cash and cash equivalents at beginning of year**

24,425	7,564
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**Cash and cash equivalents at the end of year**

16,503	24,425
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**Cash and cash equivalents at the end of year comprise:**

Cash at bank and in hand	16,573	24,564
Bank overdrafts	(70)	(139)
	<u>16,503</u>	<u>24,425</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2016**

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**1. General information**

Firmdale Holdings Limited is a limited liability company incorporated and registered in England and Wales. Further details of the general information in respect of the Company is included on the Company Information page.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared in accordance with Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain tangible fixed assets and derivatives as specified in the accounting policies below.

Information on the impact of first-time adoption of FRS 102 is given in note 34.

The financial statements are presented in sterling (£), which is also the functional currency of the Group, to the nearest round thousand unless otherwise stated.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies (see note 3).

**2.2 Basis of consolidation**

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated income statement from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 February 2014.

**2.3 Going concern**

In assessing the going concern basis of preparation of the financial statements for the year ended 31 January 2016, the directors have taken into consideration detailed cash flow forecasts for the Group, the availability of funding from the bank and the Group's forecast compliance with bank covenants.

Based on the loan agreements and an established and cash generative business model, the directors are of the view that the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 January 2016.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2016

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2. **Accounting policies (continued)**

**2.4 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts; rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2016

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2. Accounting policies (continued)

2.5 Tangible fixed assets

Tangible fixed assets measured under the cost model, other than investment properties and certain leasehold and freehold properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives. Assets in the course of construction are not depreciated until available for use.

Depreciation is provided on the following bases:

Freehold Property	- 50 years straight line
Short Leasehold	- Straight line over lease life
Motor Vehicles	- 20% and 33% per annum on cost
Fixtures and Fittings	- 15% and 20% per annum on cost

Land is not depreciated.

2.6 Revaluation of tangible fixed assets

Freehold and leasehold properties are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not materially differ from that which would be determined using fair value at the end of the reporting period.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in Other Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.7 Operating leases: Lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

2.8 Operating leases: Lessor

Rentals receivable under operating leases are recognised in profit or loss on a straight line basis over the period of the lease.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2016

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2. Accounting policies (continued)

2.9 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.10 Investment property

Certain of the Group's properties are held for long-term investment. Investment properties are accounted for as follows:

Investment properties are initially recognised at cost, which includes purchase cost and any directly attributable expenditure.

Investment properties whose fair value can be measured reliably are measured at fair value. The surplus or deficit on revaluation is recognised in profit or loss and accumulated in Retained Earnings.

2.11 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Income statement for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.12 Stocks

Stocks are stated at the lower of cost and net realisable value, which is selling price less costs to sell after making due allowance for obsolete and slow-moving stocks. Cost is based on the cost of purchase on a first in, first out basis.

2.13 Debtors

Short term debtors are measured at transaction price, less any impairment, unless the arrangement constitutes a financing transaction.

Where the arrangement constitutes a financing transaction, the debtor is initially measured at the present value of future cash receipts discounted at the market rate of interest and subsequently at amortised cost.

Loans receivable are measured initially at fair value, net of transactions costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2016

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2. Accounting policies (continued)

2.14 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks, cash in hand, short term deposits with a maturity date of three months or less and bank overdrafts.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.15 Financial instruments

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of its recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group uses interest rate swaps to adjust interest rate exposures.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of interest rate swaps are determined by calculating the present value of estimated future cash flows based on observable yield curves.

2.16 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Where an arrangement constitutes a financing transaction the creditor is initially measured at the present value of future payments discounted at a market rate of interest and subsequently at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2016

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2. Accounting policies (continued)

2.17 Foreign currency translation

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Income statement within 'other operating income'.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.18 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.19 Pensions

**Defined contribution pension plan**

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payments obligations.

The contributions are recognised as an expense in the Income statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

2.20 Interest income

Interest income is recognised in the Income statement using the effective interest method.

2.21 Borrowing costs

All borrowing costs are recognised in the Income statement in the year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2016

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2. Accounting policies (continued)

2.22 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income statement in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.23 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.24 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2.25 Related party transactions

The Group discloses transactions and balances between related parties which are not wholly owned within the Group.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2016

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The following judgements (including key areas of estimation uncertainty) have had the most significant effect on amounts recognised in the financial statements:

**Revaluation of tangible fixed assets**

The Group engaged independent valuation specialists to determine fair value of its leasehold and freehold hotel properties at the end of the reporting period. Details of the key assumptions and techniques utilised by the valuer have been detailed in note 16.

**Fair value of investment properties**

The directors have made key assumptions regarding the determination of the fair value of investment properties. The assumption are in respect of the state of the property market in the locations where each of the properties are located. The valuation method is described in note 18 together with the valuation of the properties at the reporting date.

**Fair value of derivative financial instruments**

The Group engaged with valuation specialists to determine the fair value of derivative financial instruments such as interest rate swap and cap arrangements at the end of the reporting period. Details of the key assumptions and techniques utilised in determining this fair value have been included within note 25.

4. Analysis of turnover

An analysis of turnover by class of business is as follows:

	2016 £000	2015 £000
Operation of hotels	116,108	98,598
Operation of laundry	777	844
Operating lease rental income	759	185
	<u>117,644</u>	<u>99,627</u>

Analysis of turnover by country of destination:

	2016 £000	2015 £000
United Kingdom	94,070	78,213
Rest of the world	23,574	21,414
	<u>117,644</u>	<u>99,627</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2016

5. Operating profit

The operating profit is stated after charging:

	2016 £000	2015 £000
Depreciation of tangible fixed assets - owned by the group	10,592	11,104
Impairment of tangible fixed assets	2,677	2,678
Loss on disposal of tangible fixed assets	72	97
Fees payable to the Group's auditor and its associates for the audit of the Company and Group annual financial statements	107	77
Exchange differences	2,821	3,495
Defined contribution pension cost	234	240
Operating lease rentals - land and buildings	6,995	5,641

6. Auditor's remuneration

	2016 £000	2015 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	107	77
<b>Fees payable to the Group's auditor and its associates in respect of:</b>		
Other services relating to taxation	15	15
All other services	15	91

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2016 £000	2015 £000
Wages and salaries	34,200	28,892
Social security costs	3,278	2,544
Cost of defined contribution pension scheme	234	240
	37,712	31,676

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Hotels and restaurants	1,212	1,146
Administration	112	100
Sales and marketing	17	16
Laundry	70	67
	1,411	1,329

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2016

8. Directors' remuneration

	2016 £000	2015 £000
Directors' emoluments	407	903
Company contributions to defined contribution pension schemes	55	50
	<u>462</u>	<u>953</u>

During the year retirement benefits were accruing to 2 directors (2015 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £367,136 (2015 - £863,806 ).

9. Interest receivable

	2016 £000	2015 £000
Other interest receivable	7	5
	<u>7</u>	<u>5</u>

10. Interest payable and similar charges

	2016 £000	2015 £000
Bank interest payable	7,047	5,943
Other loan interest payable	3,486	2,874
	<u>10,533</u>	<u>8,817</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2016

11. Taxation

	2016 £000	2015 £000
<b>Current tax</b>		
Foreign tax on income for the year	68	139
	<u>68</u>	<u>139</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	1,852	(3,188)
<b>Taxation on loss on ordinary activities</b>	<u>1,920</u>	<u>(3,049)</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2015 - higher than) the standard rate of corporation tax in the UK of 20.17% (2015 - 21.3%). The differences are explained below:

	2016 £000	2015 £000
Loss on ordinary activities before tax	(6,721)	(16,082)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.17% (2015 - 21.3%)	(1,356)	(3,426)
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,073	2,075
Capital allowances for year in excess of depreciation	-	160
Utilisation of tax losses	-	(13)
Adjustment in respect of prior periods	26	-
Unrelieved tax losses carried forward	-	1,872
Change in tax rate	(84)	11
Other differences leading to an increase (decrease) in the tax charge	1,261	(3,728)
<b>Total tax charge for the year</b>	<u>1,920</u>	<u>(3,049)</u>

12. Dividends

	2016 £000	2015 £000
<b>Equity dividends on ordinary shares</b>		
Interim dividend declared and paid	842	-
	<u>842</u>	<u>-</u>



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**FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2016**

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**13. Exceptional items**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Impairment loss on tangible fixed assets	<b>2,677</b>	<b>2,678</b>
	<b>2,677</b>	<b>2,678</b>

The above impairment loss relates to a hotel within the Group's portfolio for which the recoverable amount of the property was assessed to be lower than the net book value.

**14. Net loss on financial liabilities at fair value through profit or loss**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Net loss on financial liabilities at fair value through profit or loss	-	8,658
	-	8,658

**15. Parent company disclosure exemptions**

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Income statement in these financial statements. The profit after tax of the parent Company for the year was £NIL (2015 - £NIL).

The Company has taken advantage of the disclosure exemption in respect of the requirements of Section 7 Statement of Cash Flows, as allowed to a qualifying entity as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and has not presented its own Cash flow statement in these financial statements. This information is included in the consolidated Cash flow statement of Firmdale Holdings Limited.

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY  
UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2016

16. Tangible fixed assets

Group

	Other freehold & leasehold properties £000	Freehold and leasehold hotels £000	Motor vehicles £000	Fixtures and fittings £000	In the course of construction £000	Total £000
<b>Cost or valuation</b>						
At 1 February 2015	14,545	569,122	315	2,923	31,134	618,039
Additions	-	2,394	96	335	24,985	27,810
Disposals	-	(516)	-	-	-	(516)
Revaluations	-	36,242	-	-	1,426	37,668
Exchange adjustments	-	5,077	-	-	593	5,670
At 31 January 2016	14,545	612,319	411	3,258	58,138	688,671
<b>Depreciation</b>						
At 1 February 2015	221	10,141	241	2,240	-	12,843
Charge for the period	171	10,129	64	228	-	10,592
Disposals	-	(445)	-	-	-	(445)
Impairment charge	-	2,677	-	-	-	2,677
On revalued assets	-	(5,519)	-	-	-	(5,519)
At 31 January 2016	392	16,983	305	2,468	-	20,148
<b>Net book value</b>						
At 31 January 2016	14,153	595,336	106	790	58,138	668,523
At 31 January 2015	14,323	558,981	75	684	31,134	605,197

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2016

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## 16. Tangible fixed assets (continued)

The majority of the UK freehold and leasehold hotels were valued by an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the property being valued, Jones Lang LaSalle as at 31 January 2016, on the basis of fair value in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors.

The valuation has been based on the preparation of an income and expenditure forecast which is then capitalised using a discounted cash flow model.

The critical assumptions made relating to the valuations are set out below:

	2016	2015
Discount rate	7.5% - 17.5%	7.5% - 9.25%
Capitalisation rate	5% - 15%	5.5% - 6.75%

The US leasehold hotel and hotel Asset in the Course of Construction was valued by an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the property being valued, HVS Consulting and Valuation Services as at 31 January 2015 based on fair value. The directors are not aware of any material change in value as at the balance sheet date and therefore the valuation of these assets has not been updated.

UK assets in the course of construction were valued by an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the property being valued, Cushman & Wakefield, Chartered Surveyors, as at 16 June 2015, on the basis of market value in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors.

The valuation method applied is the residual valuation approach, which assumes that the property's capital value equates to the end value of the property once developed, less the costs of realisation.

The critical assumptions made relating to the valuations are set out below:

Investment yield	5.5%
Rent per square foot	£15
Purchaser's costs	5.8%

The Company had no tangible fixed assets as at 31 January 2016 (2015: £nil).

If certain fixed assets had not been included at valuation they would have been included under the historical cost convention as follows:

	2016 £000	2015 £000
<b>Group</b>		
Cost	405,223	400,338
Accumulated depreciation	(54,821)	(47,919)
<b>Net book value</b>	<b>350,402</b>	<b>352,419</b>

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**FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2016**

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**17. Fixed asset investments****Direct subsidiary undertakings**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Country of incorporation</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity</b>
Firmdale Hotels Plc	England	Ordinary	100 %	Hotelier
Firmdale West End Limited	England	Ordinary	100 %	Non trading
HY Hotels Limited	England	Ordinary	100 %	Non trading
Firmdale Holdings (USA) Inc.	USA	Ordinary	100 %	Non trading

**Indirect Subsidiary undertakings**

The following were indirect subsidiary undertakings of the Company:

<b>Name</b>	<b>Country of incorporation</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity</b>
Firmdale Property Investments Limited *	England	Ordinary	100 %	Hotelier
Soho Hotel Limited *	England	Ordinary	100 %	Hotelier
Palace Laundry (Fulham) Limited ^	England	Ordinary	79.7 %	Laundry
Number Sixteen Hotel Limited ^	England	Ordinary	100 %	Hotelier
56th Street LLC **	USA	Ordinary	100 %	Property
Crosby Street LLC **	USA	Ordinary	100 %	Hotelier
Ham Yard Investment Limited ***	England	Ordinary	100 %	Hotelier

\* Subsidiary of Firmdale West End Limited

^ Subsidiary of Ham Yard Investment Limited

\*\* Subsidiary of Firmdale Holdings (USA) Inc.

\*\*\* Subsidiary of HY Hotels Limited

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2016

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17. Fixed asset investments (continued)

Company

Investments  
in  
subsidiary  
companies  
£000

Cost or valuation

At 1 February 2015

1,727

At 31 January 2016

1,727

At 31 January 2016

-

Net book value

At 31 January 2016

1,727

At 31 January 2015

1,727

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**FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2016**

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**18. Investment property****Group**

	Freehold investment property £000	Long term leasehold investment property £000	Total £000
<b>Valuation</b>			
At 1 February 2015	1,487	12	1,499
At 31 January 2016	<u>1,487</u>	<u>12</u>	<u>1,499</u>

The fair value of the investment property has been determined by the directors with reference to the sales price of similar properties in the same geographic location. The director is not an independent valuer or professionally qualified with recent experience in the location or class of the investment property valued.

**FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2016**

**19. Stocks**

	<b>Group 2016 £000</b>	<b>Group 2015 £000</b>	<b>Company 2016 £000</b>	<b>Company 2015 £000</b>
Refurbishment and maintenance stock	324	344	-	-
Finished goods and goods for resale	778	769	-	-
	<b>1,102</b>	<b>1,113</b>	<b>-</b>	<b>-</b>

Stock recognised in cost of sales during the year as an expense was £16.4m (2015 - £15.1m).

**20. Debtors**

	<b>Group 2016 £000</b>	<b>Group 2015 £000</b>	<b>Company 2016 £000</b>	<b>Company 2015 £000</b>
Trade debtors	1,064	1,684	-	-
Amounts owed by group undertakings	109	-	6,858	6,858
Other debtors	2,736	2,348	-	-
Prepayments and accrued income	5,121	6,373	-	-
	<b>9,030</b>	<b>10,405</b>	<b>6,858</b>	<b>6,858</b>

Included within Other Debtors above is an amount due after more than one year of £0.228m (2015: £0.100m).

Amounts owed by group undertakings are unsecured, interest-free and have no fixed date of repayment.

**21. Cash and cash equivalents**

	<b>Group 2016 £000</b>	<b>Group 2015 £000</b>	<b>Company 2016 £000</b>	<b>Company 2015 £000</b>
Cash at bank and in hand	16,573	24,564	-	-
Less: bank overdrafts	(70)	(139)	-	-
	<b>16,503</b>	<b>24,425</b>	<b>-</b>	<b>-</b>

NOTES TO THE FINANCIAL STATEMENTS  
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22. Creditors: Amounts falling due within one year

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Bank overdrafts	70	139	-	-
Trade creditors	6,460	4,875	-	-
Amounts owed to group undertakings	110	-	901	59
Taxation and social security	3,178	3,572	-	-
Other creditors	621	194	-	-
Accruals and deferred income	8,912	6,886	-	-
	<b>19,351</b>	<b>15,666</b>	<b>901</b>	<b>59</b>

Bank overdrafts are secured by:

- legal charges over the freehold and leasehold properties of the Group;
- fixed and floating charges over the book debts and other assets of the Group;
- investment in the wholly owned subsidiary, Firmdale Holdings (USA) Inc;
- investment in the wholly owned subsidiary, Soho Hotel Limited, and;
- investment in the wholly owned subsidiary, Firmdale Property Investments Limited.

Amounts owed to group undertakings are unsecured, interest-free and have no fixed date of repayment

23. Creditors: Amounts falling due after more than one year

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Bank loans	250,328	237,124	-	-
Other creditors	120	109	-	-
	<b>250,448</b>	<b>237,233</b>	<b>-</b>	<b>-</b>

Bank loans are secured by:

- legal charges over the freehold and leasehold properties of the Group; and
- fixed and floating charges over the book debts and other assets of the Group.



NOTES TO THE FINANCIAL STATEMENTS  
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24. Loans

Analysis of loans by maturity is set out below:

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
<b>Amounts falling due between one and five years</b>				
Bank loans	131,017	117,899	-	-
	<u>131,017</u>	<u>117,899</u>	<u>-</u>	<u>-</u>
<b>Amounts falling due after more than five years</b>				
Bank loans	119,311	119,224	-	-
	<u>119,311</u>	<u>119,224</u>	<u>-</u>	<u>-</u>

Included within bank loans falling due between one and five years are facilities with two providers; Lloyds Bank Plc and Wells Fargo.

There are two facilities with Wells Fargo and both are Variable Rate Term facility loans denominated in USD, repayable in full on 1 April 2017. Interest is accruing on these two facilities at LIBOR plus 3.02% and LIBOR plus 10.50% respectively. The total amount outstanding as at the year end was £52.7m (2015: £43.1m).

The facilities with Lloyds Bank Plc comprise a Variable Rate Term facility loan, with interest accruing at LIBOR plus 2.00% per annum, and a Variable Rate Revolving facility loan with interest accruing at LIBOR plus 2.20% per annum. Both facilities are due for repayment in full on 26 November 2017. The total amount outstanding as at the year end was £78.4m (2015: £74.8m).

Included within loans due after more than five years is a Fixed Rate facility loan provided by Standard Life Investment Limited, with interest fixed at 4.223% per annum. Interest only is paid until the termination of the loan on 26 November 2024, when the capital amount is to be repaid in full. The total amount outstanding as at the year end was £119.3m (2015: £119.2m).

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FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2016

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25. Financial instruments

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
<b>Financial assets</b>				
Financial assets that are debt instruments measured at amortised cost	3,800	10,405	4,032	6,858
	<u>3,800</u>	<u>10,405</u>	<u>4,032</u>	<u>6,858</u>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	(267,127)	(252,897)	(901)	(59)
	<u>(267,127)</u>	<u>(252,897)</u>	<u>(901)</u>	<u>(59)</u>

Financial assets measured at amortised cost comprise trade and other debtors.

Financial Liabilities measured at amortised cost comprise bank loans, bank overdrafts, accruals, trade and other creditors.

A group company has entered into an interest rate swap to manage interest rate volatility. The fair values of the assets and liabilities held at fair value through profit and loss at the balance sheet date are calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of the liability relating to the interest rate swap as at the balance sheet date was £260 (2015: £24,246).

NOTES TO THE FINANCIAL STATEMENTS  
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26. Deferred taxation

Group

	Deferred tax £000
At 1 February 2015	86,367
Charged to the profit or loss	1,240
Charged to other comprehensive income	2,286
Utilised in year	75
<b>At 31 January 2016</b>	<b>89,968</b>

The provision for deferred taxation is made up as follows:

	Group 2016 £000	Group 2015 £000
Capital allowances in excess of / (less than) depreciation	580	(232)
Tax losses carried forward	(5,293)	(6,784)
Timing difference on revalued fixed assets	91,648	89,780
US State Tax payable on foreign currency gains	3,033	3,603
	<b>89,968</b>	<b>86,367</b>

27. Share capital

	2016 £000	2015 £000
<b>Allotted, called up and fully paid</b>		
1,667,596 Ordinary shares of £1 each	1,668	1,668

The ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not cover any rights of redemption.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2016

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**28. Reserves**

**Share premium**

This reserve records the amount above the nominal value received for shares issued, less transaction costs.

**Revaluation reserve**

This reserve records the amount above the historic cost of tangible fixed assets. The amount of depreciation provided on book value which represents a surplus on valuation is transferred as a reserves movement to retained earnings.

**Retained Earnings**

This reserve records all historical profits and losses recognised by the Group, net of any due taxes and dividends declared.

**29. Contingent assets and liabilities**

The Group has a claim for a quantifiable loss against Barclays Bank Plc of £41.7m and, in addition, a large consequential loss yet to be determined. No allowance has been made for any recovery in these financial statements in respect of these claims.

The Company participates in a group VAT registration and is jointly and severally liable for a VAT liability of £2.0m (2015 - £2.4m), which has not been provided for in the Company's accounts.

**30. Capital commitments**

At 31 January 2016 the Group and Company had capital commitments as follows:

	<b>Group 2016 £000</b>	<b>Group 2015 £000</b>
Contracted for but not provided in these financial statements	<b>37,899</b>	33,192
	<b><u>37,899</u></b>	<u>33,192</u>

**31. Pension commitments**

The Group operates a defined contribution scheme for certain employees. The assets of the scheme are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £234,195 (2015 - £233,931).

NOTES TO THE FINANCIAL STATEMENTS  
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32. Commitments under operating leases

At 31 January 2016 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £000	Group 2015 £000
<b>Land and Buildings</b>		
Not later than 1 year	10,737	10,321
Later than 1 year and not later than 5 years	36,264	36,215
Later than 5 years	717,539	684,786
<b>Total</b>	<b>764,540</b>	<b>731,322</b>

The Group holds office and residential properties as investment properties, as disclosed in Note 17, which are let to third parties. These non-cancellable leases have remaining terms of between one and four years.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Not later than 1 year	653	95	-	-
Later than 1 year and not later than 5 years	1,661	-	-	-
Later than 5 years	3	-	-	-
<b>Total</b>	<b>2,317</b>	<b>95</b>	<b>-</b>	<b>-</b>

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**33. Related party transactions**

At the balance sheet date T. J. R. Kemp, a director and shareholder of Firmdale Holdings Limited, was owed £154,072 (2015 - £27,917) by a group company. The maximum amount outstanding on his director's current account during the year was £582,544 (2015 - £507,380). The loan is interest free and no amounts have been written off. In addition, T. J. R. Kemp was in receipt of dividends from the Company of £750,003 (2015 - £NIL).

A group company has a commercial sponsorship agreement with Miss W. Kemp who competes at International level for Dressage, and is the daughter of T. J. R. Kemp. Under the terms of this agreement £100,000 (2015 - £60,000) was paid in total towards Miss W. Kemp's equestrian expenses during the year. An additional contribution of £20,000 (2015 - £15,000) was paid in the year.

The Group has made available to the Trustees of the Firmdale Hotels Plc Retirement Benefit Scheme a loan facility of £550,000 of which £220,000 (2015 - £100,000) was drawn down during the current year. The loan has been provided at a market rate of interest and is repayable in full by 31 July 2017. In addition, interim dividends of £91,564 (2015 - £NIL) were payable to the Trustees of the Firmdale Retirement Benefit Scheme by the Company. The balance of the loan outstanding at the year end was £228,436 (2015 - £100,000) and is included within Other Debtors.

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. The total aggregate compensation paid to key management personnel (including directors' remuneration as disclosed in note 8) by the Group was £2,663,601 (2015 - £2,133,198).

All related party transactions during the year were at arms length.

**34. Controlling party**

The ultimate controlling party is the Trustee of Kemp Family Foundation, the majority shareholder in the Group's parent entity.

NOTES TO THE FINANCIAL STATEMENTS  
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35. Transition to FRS 102

The Group and Company transitioned to FRS 102 from previously extant UK GAAP as at 1 February 2014. The impact of the transition to FRS 102 is as follows:

Reconciliation of equity at 1 February 2014

	Note	Group £000	Company £000
Equity at 1 February 2014 under previous UK GAAP		283,294	8,526
Derivatives	1	(19,252)	-
Deferred taxation	2	(46,073)	-
<b>Equity shareholders' funds at 1 February 2014 under FRS 102</b>		<b>217,969</b>	<b>8,526</b>

Reconciliation of equity at 31 January 2015

	Note	Group £000	Company £000
Equity at 31 January 2015 under previous UK GAAP		388,576	8,526
Deferred taxation	2	(85,064)	-
<b>Equity shareholders' funds at 31 January 2015 under FRS 102</b>		<b>303,512</b>	<b>8,526</b>

Reconciliation of profit or loss account for the year ended 31 January 2015

		Group £000
Loss for the year under previous UK GAAP		(35,814)
Derivatives	1	19,252
Deferred taxation	2	3,529
<b>Loss for the year ended 31 January 2015 under FRS 102</b>		<b>(13,033)</b>

NOTES TO THE FINANCIAL STATEMENTS  
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35. Transition to FRS 102 (continued)

The following were changes in accounting policies arising from the transition to FRS 102:

- 1 Interest rate swaps are recorded in the statement of financial position at fair value through profit or loss. Under previous UK GAAP these were not recognised in the statement of financial position at the year end. Net interest payable was accrued and recognised in profit or loss.

The above adjustments represent the recognition of the fair value of the financial liability of interest rate swaps at 1 February 2014, and the subsequent movement in fair value to subsequent settlement in the year ended 31 January 2015. Under previous UK GAAP the full value of the final settlement paid was recognised in the income statement for the year ended 31 January 2015.

- 2 Under FRS102, deferred tax is recognised on a timing difference plus approach, whereas previous UK GAAP required a timing difference approach. Consequently deferred tax has been recognised on all fair value remeasurements taken through Other Comprehensive Income.

Deferred tax of £46.1m was recognised through Other Comprehensive Income on accumulated revaluation gains on transition. During the comparative year, further revaluation gains were recognised, resulting in additional deferred tax provision of £39m. The total additional deferred tax liability recognised in the statement of financial position at 31 January 2015 was £85.1m.