

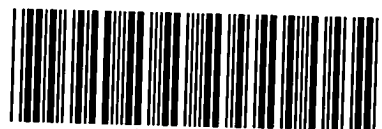
# Hotel Collection Hotel No. 2 Limited

Annual report and financial statements

Year ended 31 December 2016

*Registered number: 09173889*

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# Hotel Collection Hotel No. 2 Limited

## Annual report and financial statements

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# Hotel Collection Hotel No. 2 Limited

## Director and other information

<b>Director</b>	Grant David Hearn John Brennan (appointed 1 August 2016) Darren Guy (appointed 1 August 2016)
<b>Registered office</b>	245 Broad Street Birmingham B1 2HQ United Kingdom
<b>Auditor</b>	KPMG Chartered Accountants 1 Stokes Place St. Stephen's Green Dublin 2
<b>Bankers</b>	National Westminster Bank PLC 63 Piccadilly Charing Cross London W1J 0AJ
<b>Solicitors</b>	Squires Patton Boggs LLP Rutland House Cutlers Gardens London EC2M 4YH
<b>Registered number</b>	09173889

# Hotel Collection Hotel No. 2 Limited

## Strategic report

The main activity of Hotel Collection Hotel No. 2 Limited ("the Company") is the operation of its main asset, Hilton Carlton Edinburgh Hotel, in the United Kingdom.

The strategy of the Company is to operate the hotel profitably whilst maintaining good customer satisfaction ratings and hiring and managing employees effectively.

The Company achieved a turnover of £6.4 million for the year ended 31 December 2016 (*period ended 31 December 2015: £9.9 million*).

The Company produced an operating profit of £0.1 million in the year ended 31 December 2016 (*2015: operating profit £2.3 million*).

The key performance indicators for the company are highlighted in the below table:

	2016	2015
Gross profit %	94%	93%
Operating profit %	2.2%	23.6%

Other performance indicators can be seen in the financial statements and accompanying notes.

A directors' valuation was undertaken to value the property asset at 31 December 2016; this valuation led to a decrease in the fair value of the property of £4.8 million (see note 8 for further details).

### Principal risks and uncertainties

The company is directly exposed to the risks associated with the hotel industry such as any downturn in the general operating conditions in the UK provincial hotel industry and new hotel openings close to its existing location.

The company is also exposed to risks regarding property valuations in periods of market instability. This instability means that professional valuers are not able to value properties with the same degree of certainty as would be the case in a more stable market with a good level of transactional evidence to support valuations.

The company has received lending from group companies and continues to rely on group support, which mitigates liquidity and cash flow risk.

The company's exposure to credit risk is primarily attributable to its trade receivables. The amounts presented in the Balance Sheet are net of allowances for doubtful debts. The company seeks to mitigate credit risk through central and hotel level credit checking and, where customers pay on departure, Company policy is to obtain a pre-authorised credit card for payment. In certain circumstances customers pay all or part of their stay in advance.

# Hotel Collection Hotel No. 2 Limited

## Strategic report *(continued)*

### Principal risks and uncertainties *(continued)*

The Company's exposure to liquidity and cash flow risk is mitigated by the trade receivables procedures described above and by negotiating commercial payment terms with suppliers. The Company aims to mitigate liquidity risk by managing cash generation and its use through its operations.

### Business review

The Company expects 2017 to improve in terms of trading. The Company expects to continue to grow at above market levels in 2017 under the Hilton brand.

### Key performance indicators

Key financial performance indicators include:

- Monitoring of industry standard measures such as occupancy and average room rates against prior year and budget against competitors;
- Monitoring of department revenues and profitability; and
- Working capital management.
- Monitoring of quality: the Company monitors a number of quality indicators using data from a number of sources including guest questionnaires, mystery guest programs and feedback on third-party travel review websites; and
- Success of advertising and marketing campaigns, measured by indicators such as the number of guests making direct bookings through the website.

By order of the board and signed on its behalf by

  
John Brennan  
Director

28 June 2017

# Hotel Collection Hotel No. 2 Limited

## Director's report

The Directors submit their report together with the audited financial statements of The Hotel Collection Hotel No.2 Limited ("the Company") for the year ended 31 December 2016.

### Principal activities

The Company operates the Hilton Carlton Hotel, a hotel in the United Kingdom.

### Going concern

The directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis as the Company reported an operating profit in the current year, and there is an excess of total assets over and above current liabilities as at 31 December 2016.

### Results and dividends

The results of the Company for the year are set out in the profit and loss account and other comprehensive income on page 9 and in the related notes. Comparative 2015 figures are presented for the period from 13 August 2014 (date of incorporation) to 31 December 2015.

There were no dividends proposed during the year ended 31 December 2016 (2015: Nil).

### Director and Company secretary and their interests

The Directors of the Company are set out on page 1. John Brennan and Darren Guy were appointed as Directors of the Company on 1 August 2016.

The Director and Company Secretary who held office at 31 December 2016 had no interests in the shares of the Company (2015: Nil).

### Disabled persons

It is the policy of the Company to give fair and full consideration to registered disabled persons applying for employment and to the continuing employment and appropriate training of staff who become disabled having regard to their particular aptitudes and abilities.

### Employee participation

The Company places particular importance on the involvement of its employees keeping them regularly informed through meetings on matters affecting them as employees and on issues affecting the Company's performance. The training and development of employees at all levels continues to be a major priority.

### Subsequent events

There were no events subsequent to the balance sheet date that require adjustment to or disclosure in the financial statements.

### Political and charitable donations

The Company made no political or charitable donations during the year ended 31 December 2016 (2015: Nil).

# Hotel Collection Hotel No. 2 Limited

## Director's report *(continued)*

### **Financial risk management**

The Company's operations expose it to a variety of financial risks that include the effects of changes in liquidity risk and interest rate risk.

### **Liquidity risk**

The Company's short and long-term debt structure is designed to ensure that the Company has sufficient available funds for operations and planned expansion.

### **Statement of disclosure of information to auditors**

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's auditors are 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's auditors are aware of that information.

### **Auditor**

During the year, KPMG, were appointed auditor pursuant to Section 485 of the Companies Act 2006. Pursuant to Section 487 of the Companies Act 2006, the auditors are deemed to be reappointed and KPMG will therefore continue in office.

On behalf of the board

  
John Brennan  
Director

28 June 2017

## Hotel Collection Hotel No. 2 Limited

### Statement of director's responsibilities in respect of the directors report and the financial statements

The Director is responsible for preparing the report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law, the director has elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) Financial Reporting Standard 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 year.

In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") 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 director is 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 assets, liabilities, financial position and profit or loss of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Director is responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the board

John Brennan  
Director



28 June 2017





**KPMG**  
**Audit**  
1 Stokes Place  
St. Stephen's Green  
Dublin 2  
D02 DE03  
Ireland

## Independent auditor's report to the members of Hotel Collection No. 2 Limited

We have audited the financial statements of Hotel Collection No. 2 Limited for the year ended 31 December 2016 which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

### Opinions and conclusions arising from our audit

#### **1 Our opinion on the financial statements is unmodified**

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 loss for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **2 Our conclusions on other matters on which we are required to report by the Companies Act 2006 are set out below**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

#### **3 We have nothing to report in respect of matters on which we are required to report by exception**

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

Under the Companies Act 2006 we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in respect of the above responsibilities.



## Independent auditor's report to the members of Hotel Collection No. 2 Limited (continued)

### **Basis of our report, responsibilities and restrictions on use**

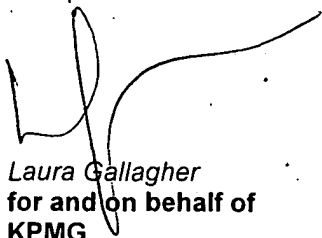
As explained more fully in the statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2006. Our responsibility is to audit and express an opinion on the financial statements in accordance with UK 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.

An audit undertaken in accordance with ISAs (UK & Ireland) 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.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

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.



Laura Gallagher  
for and on behalf of  
**KPMG**

28 June 2017

**Chartered Accountants and Statutory Audit Firm**  
1 Stokes Place  
St. Stephen's Green  
Dublin 2

## Hotel Collection Hotel No. 2 Limited

### Profit and loss account and other comprehensive income for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Turnover – continuing activities</b>	3	<b>6,434</b>	9,908
Cost of sales		(406)	(696)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>6,028</b>	9,212
Administrative expenses		(5,887)	(6,870)
		<hr/>	<hr/>
<b>Operating profit</b>	4	<b>141</b>	2,342
Goodwill impairment	9	-	(2,688)
Property impairment	8	(4,763)	(8,961)
Finance cost	6	(1,599)	(871)
		<hr/>	<hr/>
<b>Loss before taxation</b>		<b>(6,221)</b>	(10,178)
Tax credit on loss before tax	7	802	1,444
		<hr/>	<hr/>
<b>Loss for the financial year attributable to the owners of the Company</b>		<b>(5,419)</b>	(8,734)
		<hr/> <hr/>	<hr/> <hr/>

The Company had no other comprehensive income during the current or prior period.

The notes on pages 12 to 23 form an integral part of these financial statements.

# Hotel Collection Hotel No. 2 Limited

## Balance sheet

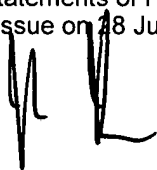
as at 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Non-current assets</b>			
Property, plant and equipment	8	42,000	31,100
Deferred tax asset	7	545	-
Goodwill	9	-	-
		<hr/>	<hr/>
		42,545	31,100
<b>Current assets</b>			
Inventories		38	38
Trade and other receivables	10	914	570
Cash and bank balances		210	93
		<hr/>	<hr/>
		1,162	701
		<hr/>	<hr/>
<b>Total assets</b>		43,707	31,801
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	11	(18,089)	(40,206)
Deferred income		(734)	(72)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		24,884	(8,477)
<b>Creditors: amounts falling due after more than one year</b>	12	(39,037)	-
<b>Provision for liabilities</b>		-	(257)
		<hr/>	<hr/>
<b>Net liabilities</b>		(14,153)	(8,734)
		<hr/>	<hr/>
<b>Equity</b>			
Share capital	13	-	-
Retained earnings		(14,153)	(8,734)
		<hr/>	<hr/>
<b>Shareholders' deficit</b>		(14,153)	(8,734)
		<hr/>	<hr/>

The notes on pages 12 to 23 form an integral part of these financial statements.

The financial statements of Hotel Collection Hotel No. 2 Limited were approved by the Director and authorised for issue on 28 June 2017.

John Brennan  
Director



## Hotel Collection Hotel No. 2 Limited

### Statement of changes in equity for the year ended 31 December 2016

<b>2016</b>		<b>Share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
<b>Balance as at 1 January 2016</b>	-		(8,734)	(8,734)
<b>Total Comprehensive income for the year</b>				
Loss for the year		-	(5,419)	(5,196)
Other comprehensive income for the year		-	-	-
		<hr/>	<hr/>	<hr/>
<b>Balance as at 31 December 2016</b>	-		(14,153)	(14,153)
		<hr/>	<hr/>	<hr/>
<b>2015</b>		<b>Share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
Balance at incorporation	-		-	-
<b>Total Comprehensive income for the period</b>				
Issue of Share capital		-	-	-
Loss for the period	-		(8,734)	(8,734)
Other comprehensive income for the period		-	-	-
		<hr/>	<hr/>	<hr/>
<b>Balance as at 31 December 2015</b>	-		(8,734)	(8,734)
		<hr/>	<hr/>	<hr/>

The notes on pages 12 to 23 form an integral part of these financial statements.

# Hotel Collection Hotel No. 2 Limited

## Notes

*forming part of the financial statements*

### 1 Reporting entity

Hotel Collection Hotel No. 2 Limited is a Company incorporated in the United Kingdom under the Companies Act 2006. The Company's registered office is 245 Broad Street, Birmingham, B1 2HQ, United Kingdom.

### 2 Significant accounting policies

#### 2.1 Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standards 100 ("FRS 100") issued by the Financial Reporting Council. These financial statements have therefore been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"), as issued by the Financial Reporting Council.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("EU IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has also set out below where advantage of the FRS 101 disclosure exemptions have been taken. These include:

- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- IAS 1 'Presentation of financial statements' paragraph 10(d)
- IAS 7 'Statement of Cash Flows';
- IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' para 30 & 31;
- IAS 16 'Property, Plant and Equipment' paragraph 17;
- IAS 24 'Related Party Disclosures' paragraph 17; and
- IAS 38 'Intangible Assets' paragraph 122(e).

As the consolidated financial statements of the parent company's parent company, Amaris Hospitality DAC (note 16) include the equivalent disclosures and Amaris Hospitality DAC's accounts are available to the public and can be obtained as set out in note 16, the Company has also taken the exemption available under FRS 101 in respect of the following:

- certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*; and
- certain disclosures required by IAS 36 *Impairment of Assets*.

The accounting policies set out below have unless otherwise stated been applied consistently to all periods presented in these financial statements.

Judgements made by the director in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

# Hotel Collection Hotel No. 2 Limited

## Notes *(continued)*

### **2 Significant accounting policies *(continued)***

#### **2.2 Basis of measurement**

These financial statements have been prepared on the historical cost basis.

#### **2.3 Functional currency**

These financial statements are presented in sterling, being the functional currency of the Company. All financial information presented in sterling has been rounded to the nearest thousand, except where otherwise stated.

#### **2.4 Use of estimates and judgements**

In preparing these financial statements management has made judgements, estimates and assumptions that affect application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Such estimates and judgements are based on historical experience and other factors, including expectation of future events that are believed to be reasonable. Actual outcomes may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

#### **2.5 Going concern**

The directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

#### **2.6 Measurement of fair values**

A number of the Company's accounting policies and disclosures require the measurement of fair values. When measuring the fair value of an asset or liability the Company uses market observable data as far as possible.

#### **2.7 Revenue**

Revenue represents sales (excluding VAT and similar taxes) of goods and services net of trade discounts provided in the normal course of business.

Revenue is derived from hotel operations and includes the rental of rooms, food and beverage sales, and other revenue. Revenue is recognised when rooms are occupied and food and beverages are sold.

#### **2.8 Leases**

Assets held by the Company under leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

# Hotel Collection Hotel No. 2 Limited

## Notes *(continued)*

### 2 Significant accounting policies *(continued)*

#### 2.8 Leases *(continued)*

Assets held under other leases are classified as operating leases and are not recognised in the Company's balance sheet. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### 2.9 Finance income and finance costs

Interest income or expenses are recognised using the effective interest method.

#### 2.10 Taxation

Income tax expense comprises current and deferred tax. It is recognised in the profit and loss account except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the period using tax rates and laws that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: those differences arising 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, and differences relating to investments in subsidiaries to the extent that the Group is able to control the timing of reversal and it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised to the extent that it is probable future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.



# Hotel Collection Hotel No. 2 Limited

## Notes (continued)

### 2 Significant accounting policies (continued)

#### 2.11 Foreign currency

##### *Foreign currency transactions*

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

#### 2.12 Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and impairment.

Impairment losses are recognised in profit and loss.

##### *Depreciation*

Other tangible fixed assets are depreciated to a residual value over the estimated useful lives.

The estimated useful lives range as follows:

Plant and equipment	10 years
Computer equipment, fixtures and fittings	5 years

Depreciation is charged to the income statement on a straight line basis over the estimated useful life. Residual value is reassessed annually.

#### 2.13 Impairment

Individual items of tangible fixed assets are reviewed for impairment annually and tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that do not generate independent cash flows are combined into cash generating units. If carrying amounts exceed estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. Recoverable amount is the higher of fair value less cost to sell and value in use. Value in use is assessed based on estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

#### 2.14 Stock

Stock is measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principal.

#### 2.15 Trade and other receivables

Trade and other receivables are measured at their nominal amount less any allowance for doubtful amounts. An allowance is made when collection of the full amount is no longer considered probable.

# Hotel Collection Hotel No. 2 Limited

## Notes (continued)

### 2 Significant accounting policies (continued)

#### 2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less.

Cash equivalents are short-term highly liquid investments with an original maturity of three months or less from the date of acquisition that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

#### 2.17 Financial instruments

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

##### **(i) Non-derivative financial assets and financial liabilities – recognition and derecognition**

The Company initially recognises loans and receivables issued on the date when they are originated.

All other financial assets and financial liabilities are initially recognised on the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

##### **(ii) Non-derivative financial assets – measurement**

###### *Loans and receivables*

These assets are initially recognised at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

###### *Cash and cash equivalents*

Cash and cash equivalents include bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

# Hotel Collection Hotel No. 2 Limited

## Notes (continued)

### 2 Significant accounting policies (continued)

#### 2.17 Financial instruments (continued)

##### (iii) Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

##### (iv) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Ordinary dividends declared as final dividends are recognised as a liability in the period in which they are approved by shareholders. Interim dividends are recognised as a liability when declared.

#### 2.18 Provisions and contingent liabilities

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of that outflow can be measured reliably. If the effect is material, provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of an outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of an outflow of economic benefits is remote.

### 3 Turnover

The whole of the turnover is attributable to the Company's main activity which is carried out in the United Kingdom. Turnover analysis is not presented due to its commercial sensitivity.

### 4 Operating profit

Operating profit derived from continuing activities is stated after charging:

	2016 £'000	2015 £'000
Depreciation of tangible assets	968	151

The Director's and auditor's remuneration are borne by another Group Company

## Hotel Collection Hotel No. 2 Limited

### Notes (continued)

#### 5 Staff numbers and costs

The average monthly number of persons, including the executive director, employed by the Company, during the year was 104 (2015: 154).

The aggregate payroll costs of these persons were as follows:

	2016 £'000	2015 £'000
Wages and salaries	1,889	2,774
Social security costs	127	178
Pension costs	17	12
	<hr/>	<hr/>
	2,033	2,964
	<hr/>	<hr/>

#### 6 Finance cost

	2016 £'000	2015 £'000
Interest expense on Inter-company loans	1,599	871
	<hr/>	<hr/>
	1,599	871
	<hr/>	<hr/>

#### 7 Tax

(a) Amounts recognised in profit or loss	2016 £'000	2015 £'000
<i>Current tax</i>		
UK corporation tax	-	-
	<hr/>	<hr/>
<i>Deferred tax</i>		
Timing adjustments	-	(8)
Tangible fixed assets – allowances	(802)	244
Tangible fixed assets – gains	-	(1,680)
	<hr/>	<hr/>
Total	(802)	(1,444)
	<hr/>	<hr/>
Tax credit	(802)	(1,444)
	<hr/>	<hr/>

Corporation tax is calculated at 20% of the estimated taxable profit for the year.

# Hotel Collection Hotel No. 2 Limited

## Notes (continued)

### 7 Tax (continued)

<b>(b) Reconciliation to total tax</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Loss before taxation	<b>(6,221)</b>	<b>(10,178)</b>
Loss at standard corporation tax rate in the UK of 20% (2015: 20.45%)	<b>(1,244)</b>	<b>(2,081)</b>
Effects of:		
Income not taxable/expenses not deductible for tax purposes	<b>(26)</b>	<b>797</b>
Group relief surrendered/(received)	<b>533</b>	<b>(125)</b>
Impact of change in tax rates	<b>(55)</b>	<b>(35)</b>
Adjustment to tax charge in respect of previous periods	<b>(10)</b>	<b>-</b>
	<b>(802)</b>	<b>(1,444)</b>

### Factors that may affect future tax charges

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were enacted on 26 October 2015. Finance Bill 2016 further reduced the 18% rate to 17% from 1 April 2020, following substantial enactment on 6 September 2016. Together this will reduce the company's future tax charges accordingly. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

### (c) Movements in deferred tax balances

	<b>31 December 2015 £'000</b>	<b>Recognised in profit £'000</b>	<b>Recognised in OCI £'000</b>	<b>Recognised in equity £'000</b>	<b>31 December 2016 £'000</b>
<b>Deferred tax liabilities</b>					
Tangible fixed assets capital gains	-	-	-	-	-
Tangible fixed assets allowances	(265)	810	-	-	<b>545</b>
Other	8	(8)	-	-	-
<b>Total</b>	<b>(257)</b>	<b>(802)</b>	<b>-</b>	<b>-</b>	<b>545</b>
	<b>On acquisition £'000</b>	<b>Recognised in profit £'000</b>	<b>Recognised in OCI £'000</b>	<b>Recognised in equity £'000</b>	<b>31 December 2015 £'000</b>
<b>Deferred tax liabilities</b>					
Tangible fixed assets capital gains	(1,680)	1,680	-	-	-
Tangible fixed assets allowances	(21)	(244)	-	-	<b>(265)</b>
Other	-	8	-	-	<b>8</b>
<b>Total</b>	<b>(1,701)</b>	<b>1,444</b>	<b>-</b>	<b>-</b>	<b>(257)</b>

## Hotel Collection Hotel No. 2 Limited

### Notes (continued)

<b>8 Property, plant and equipment</b>	<b>Freehold land and buildings and property improvements £'000</b>	<b>Plant fixtures, fittings and equipment £'000</b>	<b>Total £'000</b>
<b>2016</b>			
<b>Cost:</b>			
At beginning of the year	39,507	705	40,212
Additions	-	16,631	16,631
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2016</b>	<b>39,507</b>	<b>17,336</b>	<b>56,843</b>
	<hr/>	<hr/>	<hr/>
<b>Depreciation and impairment:</b>			
At beginning of the year	8,986	126	9,112
Charge for year	-	968	968
Revaluation loss	4,763	-	4,763
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2016</b>	<b>13,749</b>	<b>1,094</b>	<b>14,843</b>
	<hr/>	<hr/>	<hr/>
<b>Carrying amount:</b>			
<b>At 31 December 2016</b>	<b>25,758</b>	<b>16,242</b>	<b>42,000</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2015	30,521	579	31,100
	<hr/>	<hr/>	<hr/>

In accordance with the Group's accounting policies, in the absence of an external valuer valuation, the directors undertake an annual review of the carrying value of all property, plant & equipment to determine whether there is any indication of impairment.

The property is categorised as level 3 in the IFRS 13 fair value hierarchy.

# Hotel Collection Hotel No. 2 Limited

## Notes (continued)

<b>9 Goodwill</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cost:</b>		
On acquisition	-	2,688
	<hr/>	<hr/>
<b>At 31 December 2016</b>	-	2,688
	<hr/>	<hr/>
<b>Impairment:</b>		
Charge for year	-	2,688
	<hr/>	<hr/>
<b>At 31 December 2016</b>	-	2,688
	<hr/>	<hr/>
<b>Carrying value at 31 December 2016</b>	-	-
	<hr/>	<hr/>

The goodwill was incurred in settling debts to suppliers and staff of the previous asset owning Company and honouring customer deposits paid to the previous asset owning Company. The goodwill was impaired to £Nil as at 31 December 2015 due to the fact that the recoverable amount of the hotel operation was less than the carrying amount of the hotel and related goodwill.

<b>10 Trade and other receivables</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	500	473
Prepayments	145	33
VAT	269	64
	<hr/>	<hr/>
	914	570
	<hr/>	<hr/>

<b>11 Trade and other payables</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	445	84
Accruals	687	593
Other Creditors	1,741	296
VAT	257	
Amount due to group undertakings	14,959	1,052
Amount due to parent Company	-	38,181
	<hr/>	<hr/>
	18,089	40,206
	<hr/>	<hr/>

Amounts due to group undertakings relates to (1) interest accrued on interest-bearing, unsecured, non-current debt and (2) amounts which are unsecured, interest-free and repayable on demand.

# Hotel Collection Hotel No. 2 Limited

## Notes (continued)

12 Creditors: amounts falling due after more than one year	2016 £'000	2015 £'000
Amounts owed to group undertakings	39,037	-

Amounts owed to group undertakings are unsecured, interest-bearing and repayable on 30 April 2018.

13 Share capital	2016 £	2015 £
<b>Authorised:</b>		
1 ordinary share of £1 each	1	1
<b>Called up, issued and paid up:</b>		
1 ordinary share of £1 each	1	1

## 14 Commitments

### (a) Capital commitments

At 31 December 2016 the Company had capital commitments of £1,750,136 (2015: £11,759,542) in respect of hotel refurbishment costs.

## 15 Related Party Transactions

The Company has taken advantage of the exemption conferred by FRS 101:8 'Related party disclosures' not to disclose transactions between itself and its fellow subsidiary companies on the basis that the Company is a wholly owned subsidiary of Amaris Hospitality DAC, as explained in note 16.

## 16 Parent Company and ultimate controlling party

On 31 March 2016, legal ownership of the Company transferred to Jurys Hotel Management (UK) Limited, a company incorporated in the United Kingdom.

The Company is an indirect wholly owned subsidiary of Amaris Hospitality DAC. The Amaris Hospitality DAC consolidated financial statements, which include the results of the Company, are available from 146 Pembroke Road, Ballsbridge, Dublin 4.

The ultimate controlling parties of Amaris Hospitality DAC is Lonestar Real Estate Partners III (U.S.) L.P. and Lonestar Real Estate Partners III (Bermuda) L.P.

## 17 Events after the balance sheet date

There were no events subsequent to the balance sheet date that require adjustment to or disclosure in the financial statements.



## Hotel Collection Hotel No. 2 Limited

### Notes *(continued)*

#### **18 Approval of financial statements**

The financial statements were approved by the Director on 28 June 2017.