

Hotel Collection Hotel No. 2 Limited

Director's report and
financial statements

Year ended 31 December 2017

Registered number: 09173889

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Hotel Collection Hotel No. 2 Limited

Director's report and financial statements

<i>Contents</i>	<i>Page</i>
Directors and other information	1
Strategic report	2
Director's report	4
Statement of director's responsibilities in respect of the strategic report, the director's report and the financial statements	6
Independent auditor's report to the members of Hotel Collection Hotel No. 2 Limited	7
Profit and loss account and other comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes forming part of the financial statements	13

Hotel Collection Hotel No. 2 Limited

Directors and other information

Directors	Christos Dimitriadis (appointed 4 July 2018) Grant David Hearn (resigned 20 September 2017) John Brennan (appointed 1 August 2016; resigned 4 May 2018) Darren Guy (appointed 1 August 2016; resigned 20 December 2017) Michael Gallagher (appointed 2 February 2018; resigned 4 July 2018) Rob Gray (appointed 20 June 2018; resigned 4 July 2018)
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Registered office	60 Welbeck Street, London, England, W1G 9XB United Kingdom
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Auditor	KPMG Chartered Accountants 1 Stokes Place St. Stephen's Green Dublin 2
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Registered number	09173889
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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 £11.0 million for the year ended 31 December 2017 (2016: £6.4 million).

The Company produced an operating profit of £17.5 million in the year ended 31 December 2017 (2016: operating loss £4.6 million).

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

	2017	2016
Gross profit %	95.0%	93.7%
Operating profit/(loss) %	158.1%	(71.8%)

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 2017 ; this valuation led to a increase in the fair value of the property of £14.9 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.

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 2018 to improve in terms of trading. The Company expects to continue to grow at above market levels in 2018 under the Hilton brand.

Hotel Collection Hotel No. 2 Limited

Strategic report *(continued)*

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



Christos Dimitriadis
Director

27 September 2018

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 2017.

Principal activities

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

At 31 December 2017, the Company's immediate parent was Malin Midco 3 DAC (formerly LSREF III Malin Midco 3 DAC), the Company's ultimate parent was AMR Hospitality (Ireland) DAC (formerly Amaris Hospitality DAC). Reference to 'Group' in these financial statements refer to AMR Hospitality (Ireland) DAC and subsidiaries.

On 4 July 2018, the Company was purchased by LRC-Group. Effective 4 July 2018, the Company's ultimate parent company changed from AMR Hospitality (Ireland) DAC to LRC-Group.

Going concern

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

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 10 and in the related notes.

There were no dividends proposed during the year ended 31 December 2017 (2016: Nil).

Director and company secretary and their interests

The directors of the Company are set out on page 1.

The director and company secretary who held office at 31 December 2017 had no interests in the shares of the Company (2016: 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

On 4 July 2018, the Company was purchased by LRC-Group. Effective 4 July 2018, the Company's ultimate parent company changed from AMR Hospitality (Ireland) DAC to LRC-Group.

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

Hotel Collection Hotel No. 2 Limited

Director's report *(continued)*

Political and charitable donations

The Company made no political or charitable donations during the year ended 31 December 2017 (2016: Nil).

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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG, Chartered Accountants, will therefore continue in office.

On behalf of the board



Christos Dimitriadis
Director

27 September 2018

Hotel Collection Hotel No. 2 Limited

Statement of director's responsibilities in respect of the strategic report, the director's report and the financial statements

The director is responsible for preparing the strategic report, the director's 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 FRS 101 *Reduced Disclosure Framework*.

Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company and of its profit or loss 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 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 director is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. He has 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 also responsible for preparing a director's report that complies with the requirements of the Companies Act 2006.

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



Chrsitos Dimitriadis
Director

27 September 2018



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

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

1 Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hotel Collection Hotel No. 2 Limited ("the Company") for the year ended 31 December 2017 set out on pages 10 to 24, which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and the related notes, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is UK Law and FRS 101 *Reduced Disclosure Framework*.

In our opinion, the accompanying financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 101 *Reduced Disclosure Framework*; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* Section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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

1 Report on the audit of the financial statements (continued)

Other information

The directors are responsible for the other information presented in the financial statements. The other information comprises the information included in the strategic and director's report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on the work undertaken in the course of the audit, we report that

- we have not identified material misstatements in the director's report, strategic report or other accompanying information;
- in our opinion, the information given in the director's report and the strategic report is consistent with the financial statements;
- in our opinion, the director's report and the strategic report have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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.

We have nothing to report on these matters/in regard to these matters.



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

2 Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement 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 for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

The purpose of our audit work and to whom we owe our responsibilities

Our 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.

Eamon Dillon

Eamon Dillon

for and on behalf of

KPMG

Chartered Accountants and Statutory Audit Firm

1 Stokes Place

St. Stephen's Green

Dublin 2

27 September 2018

Hotel Collection Hotel No. 2 Limited

Profit and loss account and other comprehensive income for the year ended 31 December 2017 Continuing operations

	Note	2017 £'000	2016 £'000
Turnover	3	11,062	6,434
Cost of sales		(558)	(406)
Gross profit		10,504	6,028
Property revaluation\impairment	8	13,724	(4,763)
Administrative expenses		(6,741)	(5,887)
Operating profit\loss	4	17,487	(4,622)
Finance cost	6	(1,889)	(1,599)
Profit\loss) before taxation		15,598	(6,221)
Tax (charge)\credit on loss before tax	7	(4,237)	802
Loss for the financial year attributable to the owners of the Company		11,361	(5,419)
Other comprehensive income			
Revaluation gain on property, plant and equipment		12,552	-
Deferred tax on revaluation gain		(2,134)	-
Total comprehensive income\expense) for the year		21,779	(5,419)

The Company had no other comprehensive income during the prior year.

The notes on pages 13 to 23 form an integral part of these financial statements.

Hotel Collection Hotel No. 2 Limited

Balance sheet

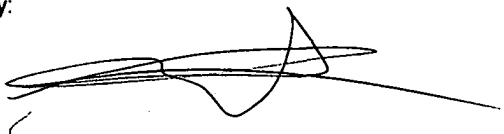
as at 31 December 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Property, plant and equipment	8	67,320	42,000
Deferred tax asset	7	-	545
		<hr/>	<hr/>
		67,320	42,545
Current assets			
Inventories		46	38
Trade and other receivables	9	2,105	914
Cash and bank balances		22	210
		<hr/>	<hr/>
		2,173	1,162
		<hr/>	<hr/>
Total assets		69,493	43,707
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	10	(55,582)	(18,089)
Deferred income		(549)	(734)
		<hr/>	<hr/>
Total assets less current liabilities		13,362	24,884
Creditors: amounts falling due after more than one year	11	(5,736)	(39,037)
		<hr/>	<hr/>
Net assets/(liabilities)		7,626	(14,153)
		<hr/>	<hr/>
Equity			
Share capital	12	-	-
Revaluation Reserve		10,418	-
Retained deficit		(2,792)	(14,153)
		<hr/>	<hr/>
Shareholders' funds/(deficit)		7,626	(14,153)
		<hr/>	<hr/>

The notes on pages 13 to 23 form an integral part of these financial statements.

The financial statements were approved by the board of directors on 27 September 2018 and were signed on its behalf by:

Christos Dimitriadis
Director



Company's registration number: 09173889

Hotel Collection Hotel No. 2 Limited

Statement of changes in equity for the year ended 31 December 2017

	Share capital £'000	Retained (deficit) £'000	Revaluation reserve £'000	Total £'000
Balance at 1 January 2016	-	(8,734)	-	(8,734)
Total comprehensive income for the year				
Loss for the year	-	(5,419)	-	(5,419)
Other comprehensive income for the year	-	-	-	-
Balance as at 31 December 2016	-	(14,153)	-	(14,153)
Balance as at 1 January 2017	-	(14,153)	-	(14,153)
Total comprehensive income for the year				
Profit for the year	-	11,361	-	11,361
Other comprehensive income for the year				
Revaluation gain on property, plant & equipment	-	-	12,552	12,552
Tax on revaluation gain	-	-	(2,134)	(2,134)
Balance as at 31 December 2017	-	(2,792)	10,418	7,626

The notes on pages 13 to 24 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 60 Welbeck Street, London, England, W1G 9XB. The Companies registration number is 09173889.

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, AMR Hospitality (Ireland) DAC (formerly Amaris Hospitality DAC include the equivalent disclosures and AMR Hospitality (Ireland) DAC's accounts are available to the public, 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.

2.2 Basis of measurement

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

Hotel Collection Hotel No. 2 Limited

Notes *(continued)*

2 Significant accounting policies *(continued)*

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.

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.

Hotel Collection Hotel No. 2 Limited

Notes (continued)

2 Significant accounting policies (continued)

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.

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.

Hotel Collection Hotel No. 2 Limited

Notes (continued)

2 Significant accounting policies (continued)

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.

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.

Hotel Collection Hotel No. 2 Limited

Notes (continued)

2 Significant accounting policies (continued)

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.

(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.

Hotel Collection Hotel No. 2 Limited

Notes (continued)

2 Significant accounting policies (continued)

2.17 Financial instruments (continued)

(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:

	2017 £'000	2016 £'000
Depreciation of tangible assets	1,674	968

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 136 (2016: 104).

The aggregate payroll costs of these persons were as follows:

	2017 £'000	2016 £'000
Wages and salaries	1,893	1,889
Social security costs	122	127
Pension costs	16	17
	2,031	2,033

6 Finance cost

	2017 £'000	2016 £'000
Interest expense on Inter-company loans	1,889	1,599
	1,889	1,599

7 Tax

	2017 £'000	2016 £'000
(a) Amounts recognised in profit or loss		
<i>Current tax</i>		
UK corporation tax	90	-
<i>Deferred tax</i>		
Tangible fixed assets – allowances	4,147	(802)
Total	4,147	(802)
Tax (charge)\credit	4,237	(802)

Corporation tax is calculated at 19.25% of the estimated taxable profit for the year.

Hotel Collection Hotel No. 2 Limited

Notes (continued)

7 Tax (continued)

(b) Reconciliation to total tax	2017 £'000	2016 £'000
Profit/(loss) before taxation	15,598	(6,221)
Loss at standard corporation tax rate in the UK of 19.25% (2016: 20%)	3,003	(1,244)
Effects of:		
Income not taxable/expenses not deductible for tax purposes	-	(26)
Group relief surrendered/(received)	-	533
Impact of change in tax rates	-	(55)
Revaluation gain on property not taxable	(2,869)	-
Accelerated capital allowances and other timing differences	(44)	-
Adjustment to tax charge in respect of previous periods	-	(10)
Origination and other timing differences	4,147	-
	4,237	(802)

(c) 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 2017 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.

(d) Movements in deferred tax balances

	31 December 2016 £'000	Recognised in profit £'000	Recognised in OCI £'000	Recognised in equity £'000	31 December 2017 £'000
Deferred tax liabilities					
Tangible fixed assets					
capital gains	-	(615)	-	-	(615)
Tangible fixed assets					
allowances	545	(3,498)	(2,134)	-	(5,087)
Other	-	(34)	-	-	(34)
Total	545	(4,147)	(2,134)	-	(5,736)
	31 December 2015 £'000	Recognised in profit £'000	Recognised in OCI £'000	Recognised in equity £'000	31 December 2016 £'000
Deferred tax liabilities					
Tangible fixed assets					
capital gains	-	-	-	-	-
Tangible fixed assets					
allowances	(265)	810	-	-	545
Other	8	(8)	-	-	-
Total	(257)	(802)	-	-	545

Hotel Collection Hotel No. 2 Limited

Notes (continued)

8 Property, plant and equipment	Freehold land and buildings and property improvements £'000	Plant fixtures, fittings and equipment £'000	Total £'000
Cost			
At beginning of the year	39,507	17,336	56,843
Additions	19	699	718
Impairment	12,415	-	12,415
	<hr/>	<hr/>	<hr/>
At 31 December 2017	51,941	18,035	69,976
	<hr/>	<hr/>	<hr/>
Depreciation and impairment			
At beginning of the year	13,749	1,094	14,843
Charge for year	112	1,562	1,674
Revaluation gain	(13,861)	-	(13,861)
	<hr/>	<hr/>	<hr/>
At 31 December 2017	-	2,656	2,656
	<hr/>	<hr/>	<hr/>
Carrying amount			
At 31 December 2017	51,941	15,379	67,320
	<hr/>	<hr/>	<hr/>
At 31 December 2016	25,758	16,242	42,000
	<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)

9 Trade and other receivables	2017 £'000	2016 £'000
Trade debtors	548	500
Prepayments	315	145
VAT	-	269
Other debtors	1,242	-
	<hr/>	<hr/>
	2,105	914
	<hr/>	<hr/>

10 Trade and other payables	2017 £'000	2016 £'000
Trade creditors	587	445
Accruals	1,499	687
Other creditors	-	1,741
VAT	122	257
Amount due to group undertakings (i)	497	14,959
Amounts owed to group undertakings (ii)	52,877	-
	<hr/>	<hr/>
	55,582	18,089
	<hr/>	<hr/>

- (i) 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.
- (ii) Amounts owed to group undertakings are unsecured, interest-bearing at 2.8% and repayable on 20 September 2018.

11 Creditors: amounts falling due after more than one year	2017 £'000	2016 £'000
Amounts owed to group undertakings	-	39,037
Deferred tax provision	5,736	-
	<hr/>	<hr/>

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

12 Share capital	2017 £	2016 £
Authorised		
1 ordinary share of £1 each	1	1
	<hr/>	<hr/>
Called up, issued and paid up		
1 ordinary share of £1 each	1	1
	<hr/>	<hr/>

Hotel Collection Hotel No. 2 Limited

Notes (continued)

13 Commitments

(a) Capital commitments

At 31 December 2017 the Company had capital commitments of £272,582 (2016: £1,750,136) in respect of hotel refurbishment costs.

14 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 AMR Hospitality (Ireland) DAC.

15 Parent company and ultimate controlling party

At 31 December 2017, the Company was an indirect wholly owned subsidiary of AMR Hospitality (Ireland) DAC.

At 31 December 2017, the immediate parent of the company was Malin Midco 3 DAC. The AMR Hospitality (Ireland) DAC consolidated financial statements, which include the results of the Company, are available from 6th Floor, Fitzwilliam Court, Leeson Close, Dublin 2.

At 31 December 2017, the ultimate controlling parties of both Malin Midco 3 DAC and AMR Hospitality (Ireland) DAC was Lone Star Real Estate Partners III (U.S.) L.P. and Lone Star Real Estate Partners III (Bermuda) L.P.

At the date of signing of these financial statements, the ultimate controlling party is LRC-Group.

16 Events after the balance sheet date

On 4 July 2018, the Company was purchased by LRC-Group. Effective 4 July 2018, the Company's ultimate parent company changed from AMR Hospitality (Ireland) DAC to LRC-Group.

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

17 Approval of financial statements

The financial statements were approved by the director on ²⁷ September 2018.