Company Registration No: 09174105

Hotel Collection Hotel No. 7 Limited

Annual report and financial statements

For the period from 13 August 2014 (date of incorporation) to 31 December 2015

Hotel Collection Hotel No. 7 Limited

Annual report and financial statements

Contents — *Page*

Hotel Collection Hotel No. 7 Limited

Director and other information

For the period from 13 August 2014 (date of incorporation) to 31 December 2015

Director	Grant David Hearn
Company Secretary	Blake Morgan LLP New Kings Court Tollgate, Chandler's Ford Eastleigh SO53 3LG
Bankers	National Westminster Bank PLC 63 Piccadilly Charing Cross London W1J 0AJ
Solicitors	Blake Morgan LLP Watchmaker Court 33 St Johns Lane London EC1M 4DB
Auditor	Deloitte LLP Chartered Accountants and Statutory Auditor Douglas Isle of Man
Registered office	17 Dominion Street London EC2M 2EF
Registered Number	09174105

Hotel Collection Hotel No. 7 Limited

Strategic report

The main activity of The Hotel Collection Hotel No. 7 Limited ("the Company") is the operation of its main asset, The Shrigley Hall Hotel in the United Kingdom, as part of The Hotel Collection brand.

The hotel operation was acquired on 11 September 2014 by the Company as a going concern for £12,294,715. The acquisition generated goodwill of £933,518, which was impaired on 31 December 2014, due to the fact that the recoverable amount of the hotel operation was less than the carrying amount of the hotel and related goodwill.

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 £7,335,896 for the period from 13 August 2014 (date of incorporation) to 31 December 2015 (started trading 11 September 2014).

The Company produced an operating profit of £134,451 in the period from 13 August 2014 to 31 December 2015 (started trading 11 September 2014).

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

	2015
Gross profit %	85%
Operating profit %	2%

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

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 and the Director 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 its Parent Company (see note 11) and continues to have 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 uses through its operations.

Hotel Collection Hotel No. 7 Limited

Strategic report (continued)

BUSINESS REVIEW

The Company expects 2016 to improve in terms of trading. The Company expects to grow at above market levels in 2016 because 2015 was impacted by a lot of disruption with the management of The Hotel Collection sub-group focussed on the integration of 19 new hotels, selling 6 hotels, and transferring out 12 hotels to other divisions within the Amaris Hospitality Group.

FUTURE DEVELOPMENTS

The Hotel Collection group of hotels are in the process of being sold together with the central office, managed through a fellow subsidiary Hotel Collection Services Limited, as going concerns.

Approved by order of the board and signed on its behalf by

Grant David Hearn
Director

31 May 2016

Hotel Collection Hotel No. 7 Limited

Director's report

The Director submits his first report together with the audited financial statements of Hotel Collection Hotel No. 7 Limited ("the Company") for the period from 13 August 2014 (date of incorporation) to 31 December 2015.

Principal activities

The Company operates The Shrigley Hall Hotel, a hotel in the United Kingdom. The Company only commenced trading on 11 September 2014.

Results and dividends

The results of the Company for the period are set out in the profit and loss account on page 9 and in the statement of comprehensive income on page 10 and in the related notes.

There were no dividends proposed during the period from 13 August 2014 (date of incorporation) to 31 December 2015.

Director and Company Secretary and their interests

The Director of the Company is set out on page 1. He was appointed on the date of incorporation and held office throughout the period and to the date of this report.

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

Subsequent events

In April 2016 the sale of the Hotel Collection Limited group of hotels including this Company was publicly announced.

Political donations

The Company made no political donations during the period from 13 August 2014 (date of incorporation) to 31 December 2015.

Approval of reduced disclosures

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 101 Reduced Disclosure Framework as listed in note 2 to these financial statements. The parent company's parent company has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

Hotel Collection Hotel No. 7 Limited

Director's report (continued)

Going concern

The Director has considered the Company's cash flow forecasts and the significant amounts due to Group undertakings. The Company is in a net current liability position, but is expected to generate profits and positive cash flows going forward. The Director has obtained confirmation that LSREF III Hotel Investments Limited ("LSREF III") will not demand repayment of the loan for a minimum of 12 months from the date of signing these Financial Statements. The parent company, LSREF III, is in turn reliant on its lender, LSREF III Wight Limited, not to recall its debt. LSREF III Wight Limited has therefore confirmed in writing that it will not recall its loan for a minimum of 18 months from the date of that letter.

The Company meets day to day working capital requirements through cash generated by the business. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to continue to generate positive cash flows. Cash generated by the business is pooled with that of the other Hotel Collection entities within Hotel Collection Services Limited ("HCS"). The Director has obtained confirmation that Hotel Collection Services Limited will also continue to provide the pooled cash as it is needed to fund the Company's day to day working capital requirements.

The Hotel Collection Group of hotels are being marketed for sale, as detailed in note 17, and if the sale ultimately takes place, the Director expects to sell the company assets through the sale of the company as a going concern rather than only selling the assets.

After making enquiries and reviewing the financial position of LSREF III, LSREF III Wight Limited, and HCS and based on the expectations of the Director if a sale ultimately takes place, the Director has a reasonable expectation that the Company has adequate resources and will continue in operational existence for the foreseeable future. Accordingly, he continues to adopt the going concern basis in preparing the annual report and financial statements.

Director Indemnities

There are no Director indemnities.

Disclosure of information to auditor

The Director who held office at the date of approval of this Director's report confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor, Deloitte LLP, Chartered Accountants and Statutory Auditor, will be deemed to be reappointed and will therefore continue in office.

Approved by order of the board and signed on its behalf by

Grant David Hearn
Director

31 May 2016

Hotel Collection Hotel No. 7 Limited

Statement of director's responsibilities

The Director is responsible for preparing the annual 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 Director 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 financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The Director has general responsibility for taking such steps as are reasonably open to him 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.

Independent auditor's report to the members of Hotel Collection Hotel No. 7 Limited (continued)

We have audited the financial statements of Hotel Collection Hotel No. 7 Limited ('the Company') for the period from 13 August 2014 (date of incorporation) to 31 December 2015 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 "Reduced Disclosure Framework".

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of director and auditor

As explained more fully in the Statement of Director's Responsibilities, the Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its loss for the period from 13 August 2014 (date of incorporation) to 31 December 2015;.
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice, and;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Hotel Collection Hotel No. 7 Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Sarah Sanders FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Douglas, Isle of Man

31 May 2016

Hotel Collection Hotel No. 7 Limited

Profit and loss account

for the period from 13 August 2014 (date of incorporation) to 31 December 2015

	Note	2015 £'000
Continuing activities		
Revenue	*3*	7,336
Cost of sales		(1,105)
Gross profit		6,231
Administrative expenses		(6,097)
Operating profit	*6*	134
Property impairment	*8*	(2,884)
Goodwill impairment	*9*	(933)
Net finance cost	*5*	(281)
Loss before taxation		(3,964)
Tax	*7*	(8)
Loss for the financial period attributable to the owners of the Company		(3,972)

The notes on pages 13 to 29 form an integral part of these financial statements.

Hotel Collection Hotel No. 7 Limited

Statement of comprehensive income

for the period from 13 August 2014 (date of incorporation) to 31 December 2015

	Notes	2015 £'000
Loss for the period		(3,972)
Other comprehensive income for the period, net of tax		-
Total comprehensive expense for the period attributable to the owners of the Company		(3,972)

The notes on pages 13 to 29 form an integral part of these financial statements.

Hotel Collection Hotel No. 7 Limited

Balance sheet
As at 31 December 2015

	Note	2015 £'000
Non-current assets		
Property, plant and equipment	*8*	9,195
Goodwill	*9*	-
		9,195
Current assets		
Inventories		50
Deferred tax asset	*7(c)*	402
Trade and other receivables	*10*	161
Cash and bank balances		71
		684
Total assets		9,879
Current liabilities		
Trade and other payables	*11*	(13,597)
Deferred Income		(254)
		(13,851)
Net current liabilities		(13,167)
Total assets less current liabilities		(3,972)
Net liabilities		(3,972)
Equity		
Called up share capital	*12*	-
Retained earnings		(3,972)
Equity Shareholders' deficit		(3,972)

The financial statements of Hotel Collection Hotel No. 7 Limited (registered number 09174105) were approved by the Director on 31 May 2016.

Grant David Hearn
Director

The notes on pages 13 to 29 form an integral part of these financial statements.

Hotel Collection Hotel No. 7 Limited

Statement of changes in equity
for the period from 13 August 2014 (date of incorporation) to 31 December 2015

	Share Capital £'000	Retained earnings £'000	Total £'000
Balance as at 13 August 2014	-	-	-
Total Comprehensive income for the period			
Issue of share capital	-	-	-
Loss for the period	-	(3,972)	(3,972)
Other comprehensive income for the period	-	-	-
Balance as at 31 December 2015	-	**(3,972)**	**(3,972)**

The notes on pages 13 to 29 form an integral part of these financial statements.

Hotel Collection Hotel No. 7 Limited

Notes to the financial statements

for the period from 13 August 2014 (date of incorporation) to 31 December 2015

1 Reporting entity

Hotel Collection Hotel No. 7 Limited is a Company incorporated in the United Kingdom under the Companies Act 2006. The Company's registered office is 17 Dominion Street, London, EC2M 2EF.

2 Significant accounting policies

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.*

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.

Adoption of new and revised standards

The Company has applied all amendments to EU IFRS's that are mandatorily effective for accounting periods that begin on or after 13 August 2014.

2 Significant accounting policies *(continued)*

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the revaluation of property and financial instruments that are measured at revalued amounts or fair values at the end of the reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group financial statements of its parent company's parent company, Amaris Hospitality DAC. Details of the Company in whose consolidated financial statements the Company is included are shown in note 16 to the financial statements.

Functional currency

These financial statements are presented in Sterling, which is the currency of the primary economic environment in which the Company operates, and is considered to be the functional currency of the Company. All financial information presented in Sterling has been rounded to the nearest thousand, except where otherwise stated.

Notes to the financial statements (continued)

for the period from 13 August 2014 (date of incorporation) to 31 December 2015

2 Significant accounting policies *(continued)*

Use of estimates and judgements

In preparing these financial statements management has made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. 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.

The key accounting judgement and estimate in these financial statements is the carrying amount of property, plant and equipment and goodwill – notes 8 and 9 respectively.

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report also describes the Company's trading performance and expectations, and its source of funding, along with the Company's objectives, and its exposure to credit risk and liquidity risk.

The acquisition of the hotel business was funded by a loan of £12,294,715 from the Company's parent Company, LSREF III Wight Hotel Investments Limited ("LSREF III"). This loan is repayable upon demand. However, The Director has obtained confirmation that LSREF III will not demand repayment of the loan for a minimum 12 months from the date of signing these Financial Statements. The parent company, LSREF III, is in turn reliant on its lender, LSREF III Wight Limited, not to recall its debt. LSREF III Wight Limited has therefore confirmed in writing that it will not recall its loan for a minimum of 18 months from the date of that letter.

The Company meets day to day working capital requirements through cash generated by the business. The Company's forecasts and projections taking account of reasonably possible changes in trading performance, show that the Company will be able to generate positive cash flows. Cash generated by the business is pooled with that of the other Hotel Collection entities within Hotel Collection Services Limited ("HCS"). The Director has obtained confirmation that HCS will also continue to provide the pooled cash as it is needed to fund the Company's day to day working capital requirements.

The Hotel Collection Group of hotels are being marketed for sale, as detailed in note 17, and if the sale ultimately takes place, the Director expects to sell the company assets through the sale of the company as a going concern rather than only selling the assets.

After making enquiries and reviewing the financial position of LSREF III, LSREF III Wight Limited, and HCS and based on the expectations of the Director if a sale ultimately takes place, the Director has a reasonable expectation that the Company has adequate resources and will continue in operational existence for the foreseeable future. Accordingly, he continues to adopt the going concern basis in preparing the annual report and financial statements.

Notes to the financial statements (continued)

for the period from 13 August 2014 (date of incorporation) to 31 December 2015

2 Significant accounting policies *(continued)*

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.

Revenue

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

Administration expenses

Administration expenses are accounted for on an accruals basis.

Finance income and finance costs

The Company's finance income and finance costs include:

- interest expense; and
- interest income

Interest income and expense is recognised using the effective interest method.

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.

Tax

The 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 OCI or directly in equity, in which case it is recognised in OCI or directly in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates and laws that have been enacted or substantively enacted at the reporting date.

2 Significant accounting policies *(continued)*

Tax *(continued)*

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.

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.

Property, plant and equipment

Property recognition and measurement

Freehold and long-term leasehold (lease term 99 years or above) land and buildings are measured at fair value.

Revaluation gains are credited to other comprehensive income and accumulated in equity within the revaluation reserve unless it represents the reversal of an impairment of the same asset previously recognised in profit or loss, in which case it should be recognised in profit or loss. A decrease arising as a result of a revaluation is recognised in profit or loss to the extent that it exceeds any amount

2 Significant accounting policies *(continued)*

Plant and equipment recognition and measurement *(continued)*

previously credited to the revaluation surplus relating to the same asset. Otherwise it is recognised in other comprehensive income.

If significant parts of an item of tangible fixed assets have different useful lives, then they are accounted for as separate items (major components) of tangible fixed assets.

Any gain or loss on disposal of an item of tangible fixed assets is recognised in profit or loss. Other tangible assets are measured at cost less accumulated depreciation and impairment. Impairment losses are recognised in profit and loss.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2 Significant accounting policies *(continued)*

Depreciation

No depreciation is provided on land. Other tangible fixed assets are depreciated to a residual value over the estimated useful lives which are as follows:

Buildings Core - Freehold	65 years
Building improvements	30 years
Plant	20 years
Fixtures, fittings and equipment	5 to 10 years

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

Impairment of property, plant and equipment and goodwill

At each balance sheet date, the Company reviews the carrying amounts of its tangible and goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Pension

Defined contribution plans
Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Notes to the financial statements (continued)

for the period from 13 August 2014 (date of incorporation) to 31 December 2015

2 Significant accounting policies *(continued)*

Inventories

Stocks are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price.

Financial instruments

Financial assets and liabilities are recognised in the Balance Sheet when the Company becomes party to the contractual provisions of the instrument.

(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 Balance Sheet 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, less any impairment.

Trade receivables are stated at their nominal value, less any provision for impairment, which approximates to their fair value. Provision is made for any specific non-recoverable amounts based on the Director's assessment of recoverability.

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.

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.

Notes to the financial statements (continued)

for the period from 13 August 2014 (date of incorporation) to 31 December 2015

2 Significant accounting policies *(continued)*

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.

(v) Other financial liabilities

Trade and other payables are not interest bearing and are stated at their nominal value which approximates to their fair value.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Notes to the financial statements (continued)
for the period from 13 August 2014 (date of incorporation) to 31 December 2015

2 Significant accounting policies *(continued)*

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 Revenue

Revenue is derived from hotel operations in the United Kingdom 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.

Revenue is therefore derived from one single segment of business, being hotel operations, in one geographical area, being the United Kingdom.

4 Staff numbers and costs

The average monthly number of persons, including the Executive Director, employed by the Company, during the period was 161.

The aggregate payroll costs of these persons were as follows:

	2015
	£'000
Wages and salaries	2,486
Social security costs	156
Pension costs	13
	2,655

The Executive Director is remunerated by another Group Company.

Notes to the financial statements (continued)
for the period from 13 August 2014 (date of incorporation) to 31 December 2015

5 Net finance costs

	2015 £'000
Finance Costs	
Interest expense on Inter-company loans	281
Finance Income	
Interest receivable	-
Net Finance Costs	281

6 Operating profit

Operating profit derived from continuing activities is stated after charging:

	2015 £'000
Depreciation of property, plant & equipment	190
Operating lease rentals	8
Staff costs (see note 4)	2,655

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

7 Tax

(a) Amounts recognised in profit or loss

	2015 £'000
Current tax	
UK Corporation tax	-
Deferred tax	
Timing adjustments	(9)
Tangible fixed assets – allowances	167
Tangible fixed assets – Other	(150)
Total	8
Tax credit	8

Corporation tax is calculated at 20.45% of the estimated taxable profit for the period.

7 Tax (continued)

(b) Reconciliation to total tax

	2015 £'000
Loss before taxation	(3,964)
Loss at standard corporation tax rate in the UK of 20.45%	(809)
Effects of:	
Expenses not deductible for tax purposes	790
Group relief (received)/surrendered	-
Impact of change in tax rates	27
	8

Reductions in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. The effective rate shown above is as a result of this change in corporation tax rate. Further reductions in the corporation tax rate to 19% (effective from 1 April 2017) and 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Group's future current tax charge accordingly.

(c) Movements in deferred tax balances

	On Acquisition £'000	Recognised in profit or loss £'000	Recognised in OCI £'000	Recognised in equity £'000	31 December 2015 £'000
Deferred tax liabilities					
Tax losses	-	151	-	-	151
Tangible fixed assets - allowances	410	(167)	-	-	243
Other	-	8	-	-	8
Total	410	(8)	-	-	402

The deferred tax asset at the balance sheet date has been calculated based on the rate of 18% substantively enacted at the balance sheet date.

Notes to the financial statements (continued)

for the period from 13 August 2014 (date of incorporation) to 31 December 2015

8 Property, plant and equipment

	Freehold Land and Buildings and Building Improvements £'000	Plant, Fixtures, Fittings and Equipment £'000	Total £'000
Cost:			
On acquisition	11,354	446	11,800
Additions	255	214	469
At 31 December 2015	11,609	660	12,269
Depreciation and impairment			
Charge for period	16	174	190
Impairment	2,884	-	2,884
At 31 December 2015	2,900	174	3,074
Carrying amount:			
31 December 2015	**8,709**	**486**	**9,195**

A full independent valuation of the property was carried out by Knight Frank ("Knight Frank") on 22 August 2014. This valuation indicated a fair value of £11,800,000 for the property on an open market value basis. The indicative valuation was undertaken by Knight Frank on the assumption of its continued use as a licensed operating hotel, inclusive of the trade furniture, furnishings and equipment.

For the purposes of the statutory financial statements, the Director has performed a discounted cash flow of to provide an estimated fair value of £9,195,209 in respect of the property and associated fixtures and fittings. The members of the management team have real estate, hotel operations, financial and business experience, which the Director has called upon along with his knowledge of the business in order to forecast future cash flows and determine an appropriate discount rate to apply. The valuation has been based on projected 10 year cash flow with an assumed year 10 exit, discounted at a cost of capital deemed appropriate by the Board and not out of line with industry standards.

The recoverable amount is determined as the higher of value in use as calculated in the discounted cash flow valuation and fair value less costs of disposal. In determining an asset's recoverable amount the directors are required to make judgements, estimates and assumptions that impact on the carrying value of the properties. The estimates and assumptions used are based on historical experience and other factors that are believed to be reasonable based on information available.

8 Property, plant and equipment *(continued)*

The estimated fair values of the freehold land and buildings would increase/(decrease) if:
- the discount rate was (higher)/lower;
- the trading performance of the hotels improved (declined); or
- market yields (increased)/decreased.

The property is categorised as level 3 in the IFRS 13 fair value hierarchy. The continued challenging market conditions, lack of comparable transactions and the degree of volatility in pricing that has been observed by the wider Amaris group through offers received for certain properties during the period and post period end, indicate that considerable judgement has been applied in the assessment of this property value.

9 Goodwill

	2015
Cost:	**£'000**
On acquisition	933
At 31 December 2015	933
Impairment	
Charge for period	933
At 31 December 2015	**933**
Carrying value at 31 December 2015	-

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 2014 due to the fact that the recoverable amount of the hotel operation was less than the carrying amount of the hotels and related goodwill.

Notes to the financial statements (continued)

for the period from 13 August 2014 (date of incorporation) to 31 December 2015

10 Trade and other receivables

	2015 £'000
Trade debtors	106
Prepayments	55
	161

Trade debtors is stated net of a bad debt provision of £18k.

11 Trade and other payables

	2015 £'000
Trade creditors	128
Accruals	289
VAT	74
Other Creditors	41
Amounts due to associated companies	771
Amount due to parent Company	12,294
	13,597

The amount due to associated companies is unsecured, interest free and repayable on demand.

The loan of £12,294,715 is from the Company's parent Company LSREF III Wight Hotel Investments Limited ("LSREF III"), and is repayable upon demand, secured on the company's sole asset The Shrigley Hall Hotel and bears interest at LIBOR plus 1.1%. The parent company has confirmed to the Director that this amount will not be recalled for a minimum 12 months from date of signing these financial statements. The parent Company, LSREF III, is in turn reliant on its lender, LSREF III Wight Limited, not to recall its debt. LSREF III Wight Limited has therefore confirmed in writing that it will not recall its loan for a minimum of 18 months from the date of that letter (see note 2, Going Concern).

The Borrowings of the entities which collectively trade as The Hotel Collection are secured by a charge over all of The Hotel Collection hotels. Additionally Citicorp Trustee Company Limited who are lender to the Amaris Hospitality DAC Group hold a charge over all of The Hotel Collection hotels.

12 Share capital

	2015 £
Authorised:	
1 ordinary share of £1 each	1
Called up issued and paid up:	
1 ordinary share of £1 each	1

13 Pensions

The Company operates a defined contribution pension scheme. The total expense charged to the profit and loss account in the period was £12,648. At 31 December 2015 £1,247 of pension contributions were owing to the scheme.

14 Commitments

(a) Capital commitments

At 31 December 2015 the Company had capital commitments of £96,723 in respect of hotel refurbishment costs.

(b) Operating lease commitments

The leases entered into by the Company are operating for operating assets and IT infrastructure.

Lease payments under operating leases recognised as an expense in the period amounted to £8k.

Non-cancellable operating lease rentals payable are set out below. These represent the minimum future lease payments in aggregate that the Company is required to make under existing lease arrangements.

	2015 **£'000**
Less than one year	13
Between one and five years	38
Between five and ten years	-
Between ten and 20 years	-
Beyond 20 years	-
	51

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 company's on the basis that the Company was a wholly owned subsidiary of Amaris Hospitality DAC, as explained in note 16.

Notes to the financial statements (continued)
for the period from 13 August 2014 (date of incorporation) to 31 December 2015

16 Parent Company and ultimate controlling party

The Company is incorporated in the UK and is a wholly owned subsidiary of LSREF III Wight Hotel Investments Limited a company incorporated in the Republic of Ireland. The Parent Company of the smallest group of undertakings of which the Company is a member and in whose Group Financial Statements it is included is Amaris Hospitality DAC a company incorporated in the Republic of Ireland. The ultimate beneficial owners of Amaris Hospitality DAC are Lonestar Real Estate Fund III (U.S.) L P and Lonestar Real Estate Fund III (Bermuda) L.P. Amaris Hospitality DAC has financial statements publicly available at 146 Pembroke Road, Ballsbridge, Dublin 4, Republic of Ireland.

17 Post balance sheet events

In April 2016, the intended sale of the Hotel Collection Group including this Company was publicly announced.

18 Approval of financial statements

The financial statements were approved by the Director on 31 May 2016.