

Directors' Report and
Financial Statements for the Year Ended 31 December 2016
for
City Suites Operating Company Limited

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City Suites Operating Company Limited

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for the Year Ended 31 December 2016**

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City Suites Operating Company Limited

Company Information
for the Year Ended 31 December 2016

Directors:	Mr G P Beswick Mr M C Dawson Mr M D Stott
Secretary:	Mr G P Beswick
Registered office:	The Box Horseshoe Lane Alderley Edge Cheshire SK9 7QP
Registered number:	09342146 (England and Wales)
Independent auditor:	Ernst & Young LLP 2 St Peters Square Manchester M2 3EY
Solicitors:	Shoosmiths LLP The XYZ Building 2 Hardman Boulevard Spinningfields Manchester M3 3AZ

City Suites Operating Company Limited

Directors' Report **for the Year Ended 31 December 2016**

The directors present their report with the financial statements of the Company for the year ended 31 December 2016.

In accordance with section 414B of the Companies Act 2006, the Company has taken advantage of the small companies' exemption in relation to the strategic report.

The Company is based in England, and is a wholly owned subsidiary of City Suites Limited. City Suites Limited is a wholly owned subsidiary of Select Property Group (Holdings) Limited.

City Suites Operating Company Limited is a private company, limited by shares.

Principal activity

The Company has not yet commenced trading but its principal activity will be the management and rental of accommodation. The Company will lease property from investors, sub-lease the units under shorthold tenancy agreements and manage the property. The Directors do not expect the principal activity to change in the foreseeable future.

Events since the end of the year

Information relating to events since the end of the year is given in the notes to the financial statements.

Directors

The directors shown below have held office during the whole of the period from 1 January 2016 to the date of this report.

Mr G P Beswick
Mr M D Stott

Other changes in directors holding office are as follows:

Mr M C Dawson - appointed 9 March 2016

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

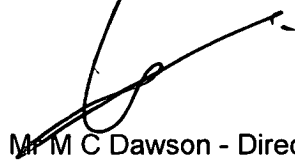
The auditors, Ernst & Young LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

City Suites Operating Company Limited

Directors' Report
for the Year Ended 31 December 2016

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

By order of the board:

A handwritten signature in black ink, appearing to be 'M C Dawson', written over the printed name.

Mr M C Dawson - Director

29 September 2017

City Suites Operating Company Limited

Statement of Directors' Responsibilities **for the Year Ended 31 December 2016**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether international financial reporting standards as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY SUITES OPERATING COMPANY LIMITED

We have audited the financial statements of City Suites Operating Company Limited for the year ended 31 December 2016 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report and Audited Financial Statements 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 2016 and of its loss for the year then ended;
- ▶ have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Directors' Report.

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; or
- ▶ the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



Alastair John Richard Nuttall (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
29 September 2017

City Suites Operating Company Limited

Statement of Profit or Loss and Other Comprehensive Income
for the Year Ended 31 December 2016

		Year ended 31/12/16 £'000	Period 5/12/14 to 31/12/15 £'000
	Notes		
Continuing operations			
Revenue		-	-
Cost of sales		(6)	-
Gross loss		(6)	-
Administrative expenses		(2)	(37)
Operating loss		(8)	(37)
Loss before income tax	3	(8)	(37)
Income tax	4	-	-
Loss for the year		(8)	(37)
Other comprehensive income		-	-
Total comprehensive loss for the year		(8)	(37)

The notes on pages 11 to 18 form part of these financial statements

Statement of Financial Position
31 December 2016

	Notes	2016 £'000	2015 £'000
Assets			
Current assets			
Trade and other receivables	5	6	6
Total assets		<u>6</u>	<u>6</u>
Equity			
Shareholders' equity			
Called up share capital	6	-	-
Retained earnings	7	(45)	(37)
Total equity		<u>(45)</u>	<u>(37)</u>
Liabilities			
Current liabilities			
Trade and other payables	8	51	43
Total liabilities		<u>51</u>	<u>43</u>
Total equity and liabilities		<u>6</u>	<u>6</u>

The financial statements were approved by the Board of Directors on 29 September 2017 and were signed on its behalf by:



Mr M C Dawson - Director

City Suites Operating Company Limited

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

	Retained earnings £'000	Total equity £'000
Changes in equity		
Total comprehensive loss	<u>(37)</u>	<u>(37)</u>
Balance at 31 December 2015	<u>(37)</u>	<u>(37)</u>
Changes in equity		
Total comprehensive loss	<u>(8)</u>	<u>(8)</u>
Balance at 31 December 2016	<u><u>(45)</u></u>	<u><u>(45)</u></u>

The notes on pages 11 to 18 form part of these financial statements

City Suites Operating Company Limited

Statement of Cash Flows
for the Year Ended 31 December 2016

	Year ended 31/12/16 £'000	Period 5/12/14 to 31/12/15 £'000
Cash flows from operating activities		
Cash generated from operations 13	-	-
	<hr/>	<hr/>
	<hr/>	<hr/>
	<hr/>	<hr/>
Increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
	<hr/>	<hr/>
Cash and cash equivalents at end of year	-	-
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The notes on pages 11 to 18 form part of these financial statements

City Suites Operating Company Limited

Notes to the Financial Statements **for the Year Ended 31 December 2016**

1. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The Company is incorporated and domiciled in the UK.

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

Going concern

The Directors' have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern.

The Directors' therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Company had net liabilities of £45k at 31 December 2016. The Directors have received assurances from the ultimate parent company that it will continue to support the Company for a period of at least 12 months from the date of approval of the financial statements.

Functional and presentational currency

The Company's financial statements are presented in Sterling, which is the Company's functional currency.

Accounting Standards Update

A number of updates to standards or interpretations were in issue as at 31 December 2016.

The following new or amended standards and interpretations, are effective for the first time for the period ended 31 December 2016 and have been applied in preparing these financial statements. The adoption of these standards and interpretations has not had a material effect on the financial statements of the Company.

Change in Standard or Interpretation	Effective Date*
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	01-Jan-16
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	01-Jan-16
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments	01-Jan-16
IAS 1 Disclosure in Financial Statements - Amendments	01-Jan-16
IAS 16 and IAS 38 Acceptable methods of Depreciation and Amortisation - Amendments	01-Jan-16
IAS 27 Equity Method in Separate Financial Statements - Amendments	01-Jan-16
Annual improvements to IFRSs 2012 to 2014 Cycle	01-Jan-16

City Suites Operating Company Limited

Notes to the Financial Statements - continued **for the Year Ended 31 December 2016**

1. Accounting policies - continued

The following new or amended standards and interpretations, are not yet effective for the period ended 31 December 2016 and have not been applied in preparing these financial statements. The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements of the Company in the period of initial application.

Change in Standard or Interpretation	Effective date *
IFRS 15 Revenue from Contracts with Customers	01-Jan-18
IFRS 9 Financial Instruments: Classification and Measurement	01-Jan-18
IFRS 16 Leases	01-Jan-19

*Effective for annual periods beginning on or after this date

Use of estimates and judgements

The preparation of financial statements requires management to exercise judgement in applying the Company's accounting policies. There are no significant estimates or assumptions used in preparing these financial statements.

Financial instruments

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at a suitable effective interest rate. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Financial liabilities (including payables)

Financial liabilities (including borrowings and trade and other payables) are measured at amortised cost, using the effective interest method where applicable.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous periods.

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

City Suites Operating Company Limited

Notes to the Financial Statements - continued **for the Year Ended 31 December 2016**

2. Employees and directors

There were no staff costs for the year ended 31 December 2016 nor for the period ended 31 December 2015.

The company had no employees during the current or prior period.

	Year ended 31/12/16 £	Period 5/12/14 to 31/12/15 £
Directors' remuneration	-	-

The Directors received emoluments from Select Property Group Limited (a fellow subsidiary of the Group headed by Select Property Group (Holdings) Limited), for services rendered to all Group companies. There were no directors accruing benefits under Company pension schemes during the current or prior period.

3. Loss before income tax

The loss before income tax is stated after charging:

	Year ended 31/12/16 £'000	Period 5/12/14 to 31/12/15 £'000
Audit fees	2	4

There were no non audit services, performed by the Auditor, incurred by the entity in the current or prior period.

4. Income tax

Analysis of tax expense

No liability to UK corporation tax arose for the year ended 31 December 2016 nor for the period ended 31 December 2015.

City Suites Operating Company Limited**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016****4. Income tax - continued****Factors affecting the tax expense**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	Year ended 31/12/16 £'000	Period 5/12/14 to 31/12/15 £'000
Loss before income tax	(8)	(37)
Loss multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.250%)	(2)	(7)
Effects of:		
Amounts not recognised	2	-
Group relief	-	7
Tax expense	-	-

The standard rate of Corporation Tax in the UK remained at 20% for 2016. Accordingly, the Company's results for this accounting period are taxed at 20%. The reduction of the main rate of corporation tax from 20% to 19% from 1 April 2017 was announced in the Summer Finance Bill 2015 and substantively enacted on 26 October 2015. It was announced in the March 2016 budget that from 1 April 2020, corporation tax will reduce to 17%. Future profits will be taxed at the appropriate rate. Deferred tax as at 31 December 2016 have been calculated at a rate at which the deferred tax is expected to reverse.

5. Trade and other receivables

	2016 £'000	2015 £'000
Current:		
Amounts owed by group undertakings	3	-
VAT	1	-
Prepayments	2	6
	6	6

6. Called up share capital**Allotted, issued and fully paid:**

Number:	Class:	Nominal value:	2016 £	2015 £
100	A Ordinary	£1	100	100

City Suites Operating Company Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2016

7. Reserves

	Retained earnings £'000
At 1 January 2016	(37)
Deficit for the year	(8)
	<hr/>
At 31 December 2016	(45)
	<hr/>
	Retained earnings £'000
Deficit for the period	(37)
	<hr/>
At 31 December 2015	(37)
	<hr/>

8. Trade and other payables

	2016 £'000	2015 £'000
Current:		
Trade creditors	3	6
Amounts owed to group undertakings	46	33
Accruals	2	4
	<hr/>	<hr/>
	51	43
	<hr/>	<hr/>

City Suites Operating Company Limited

Notes to the Financial Statements - continued **for the Year Ended 31 December 2016**

9. Financial instruments

Financial risk management

The Company has exposure to the followings risks from its use of financial instruments:

Credit risk

Liquidity risk

The Board has overall responsibility for establishing appropriate management of exposure to risk.

Capital management

The Company's objectives in managing its capital are to provide adequate returns to the shareholders by operating the business at a predetermined optimal level, by ensuring the present revenue stream from operations continues to increase and by effectively collecting its receivables as agreed with debtors.

At a subsidiary level capital is defined as Equity as shown in the balance sheet. Dividends are paid provided adequate resources remain to sustain the Company's development.

Financial instruments policy

All instruments utilised by the Company are for financing purposes. The day-to-day financial management and treasury are controlled centrally for all operations.

Fair value of financial instruments

As at 31 December 2016, the Company had no other financial instruments other than those disclosed below (2015: £nil). The carrying value of all financial instruments in these financial statements is considered to approximate to their fair value.

	2016	2015
	£'000	£'000
Financial Assets		
Trade and other receivables	4	-
	<hr/>	<hr/>
Financial Liabilities		
Trade and other payables	51	43
	<hr/>	<hr/>

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from intra-group companies. Due to the nature of these receivables, management does not consider the credit risk on these receivables to be high.

City Suites Operating Company Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2016

9. Financial instruments - continued

Exposure to credit risk

The carrying value of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2016	2015
	£'000	£'000
Trade and other receivables	4	-

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risks by regular reviews of forecast cash flows in line with contractual maturities of financial liabilities and credit facilities available. Forecast cash flows are reported to the Board on a regular basis.

The following are the contractual maturities of financial liabilities of the Company:

	Carrying amount £'000	Contractual cash flows £'000	3 months or less £'000	3-12 months £'000
At 31 December 2016				
Trade and other payables	51	51	3	48
At 31 December 2015				
Trade and other payables	43	43	6	37

Sensitivity analysis

The Company does not have any liabilities which are exposed to external risk factors, such as interest rate movements, for this reason, the Directors do not feel that it is appropriate to complete sensitivity analysis.

City Suites Operating Company Limited

Notes to the Financial Statements - continued **for the Year Ended 31 December 2016**

10. Ultimate parent company

The immediate parent undertaking is City Suites Limited and the ultimate parent undertaking is Select Property Group (Holdings) Limited incorporated in the UK.

The largest and smallest Group in which the results of the Company are consolidated is that headed by Select Property Group (Holdings) Limited, incorporated in the UK. The consolidated financial statements of this company are available to the public and may be obtained from The Registrar of Companies, Companies House, Cardiff, CF4 3UZ.

11. Related party disclosures

The Directors consider Select Property Group (Holdings) Limited and all of its subsidiaries and joint ventures to be related parties of the Company.

The following balances with related parties existed at the year end:

	Intercompany balance
31 December 2016	£'000
Select Property Group Limited	(46)
City Suites Management Limited	3
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31 December 2015	£'000
Select Property Group Limited	(33)
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A negative balance indicates an amount payable by the Company. A positive balance indicates an amount receivable to the Company.

All related party balances are unsecured and all transactions are carried out on an arms-length basis.

12. Events after the reporting period

There have been no significant events between the period end and the date of approval of these financial statements which would require a change to the accounts.

13. Reconciliation of loss before income tax to cash generated from operations

	Year ended	Period
	31/12/16	5/12/14
	£'000	to
		31/12/15
	£'000	£'000
Loss before income tax	(8)	(37)
Increase in trade and other receivables	-	(6)
Increase in trade and other payables	8	43
	<hr/>	<hr/>
Cash generated from operations	-	-
	<hr/> <hr/>	<hr/> <hr/>