

Registration number: 00719804
(England and Wales)

Ribbon Hotels Group (UK) Limited

(formerly LRG Hotels Group (UK) Limited)

Annual report and financial statements

For the year ended 31 December 2015



Ribbon Hotels Group (UK) Limited

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Ribbon Hotels Group (UK) Limited

Company information

Directors

PT Mabry
JB Robinson
SM Teasdale

Company secretary

Haysmacintyre Company Secretaries Limited
26 Red Lion Square
London
United Kingdom
WC1R 4AG

Company registration number

00719804

Registered office

26 Red Lion Square
London
United Kingdom
WC1R 4AG

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

Strategic report

For the year ended 31 December 2015

The directors present their strategic report for the year ended 31 December 2015.

Principal activity

The principal activity of the company is the ownership and operation of hotels in the UK.

Review of the business

The company operates hotels under a franchise agreement with InterContinental Hotels Group PLC ("IHG"). On 1 December 2015, the company was acquired by Ribbon Holdco Limited and its subsidiaries (together the "group"). Redefine BDL Hotels Limited managed the company's portfolio of hotels on a central basis under a management contract at the year end. In 2016 this management function has been transferred to Lapithus Hotels Management UK Limited. The company sold two of its hotels in the current year and one in the prior year. Subsequent to year end the company is in negotiation to dispose of an additional hotel.

The directors believe that in 2016 the company will benefit from continued improvement in the underlying economy and demand for hotels in the UK, boosted by planned capital injections and refurbishment of assets throughout the year.

Results

The company's development to date, performance and the financial position as reflected in the financial statements is satisfactory. The directors have concluded that the company is a going concern, refer to note 1.

Principal risks and uncertainties and risk management objectives and policies

The Board of directors has the overall responsibility for the establishment and oversight of the risk management framework. The senior management is responsible for developing and monitoring the risk management policies and reports regularly to the Board of directors. The risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and company's activities.

Demand risk

The company is exposed to the inherent risks of economic and financial market developments, including recession, inflation, availability of affordable credit and currency fluctuations that could lower revenues and reduce income. A recession reduces leisure and business travel and adversely affects room rates and/or occupancy levels and other income generating activities, resulting in deterioration of results of operations and potentially reducing the value of properties in affected economies. Through a continual business review process and monitoring of the business environment, together with the terms and the services standards required of IHG under the franchise agreement, the directors of the company and the wider group seek to mitigate these potential risks.

The main risks arising from the company's financial instruments are credit risk, liquidity risk and interest rate risk. The Board reviews and agrees policies for managing these risks and is summarized below.

Credit risk

The company's principal financial assets are trade and other receivables. The credit risk on trade and other receivables is limited by the company's exposure being spread over a large number of counterparties and customers and by the support of the group. Receivable balances are monitored on an ongoing basis and provisions are made when there is objective evidence of impairment. The amounts presented in the balance sheet are net of allowances for doubtful debts. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Liquidity risk

The company is financed by way of shares and intercompany loans. The company manages liquidity risk by maintaining a balance between the continuity of funding and flexibility through use of loans from the company's group undertakings. The group has agreed to provide sufficient liquidity as necessary to allow the company to meet its obligations for at least the next twelve months from the date of approval of these financial statements.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the company's interest bearing financial instruments will fluctuate because of changes in market interest rates. The company is exposed to interest rate risk because it borrows funds at interest rates based on Libor. The positions held are closely monitored by the management and reviewed to align the positions with market expectations.

Strategic report


For the year ended 31 December 2015 (continued)

Key performance indicators

Total turnover for the year from continuing operations was £29.3m, representing a decrease of 3% compared to the previous year. Management's emphasis continues to be on increasing average room rate levels of occupancy and total room revenue.

The business of the company is also reviewed on a central basis and, therefore, further key performance indicators are not appropriate for an understanding of the development, performance and position of the company's business.

Approved by the Board and signed on its behalf by:



JB Robinson
Director

Date: 30 September 2016

Directors' report

For the year ended 31 December 2015

The directors present their annual report and the financial statements for the year ended 31 December 2015.

Future developments

The trading environment is expected to remain broadly unchanged during 2016 and the company will seek to improve revenue whilst continuing to review the underlying cost base. The hotels' market positioning will benefit from a planned capital expenditure spend commencing in 2016.

Dividends

The directors do not recommend a dividend for the current year (2014: £nil).

Directors of the company

The directors who held office during the year and until the date of the financial statements were as follows:

PT Mabry	(appointed 17 December 2015)
JB Robinson	(appointed 17 December 2015)
SM Teasdale	(appointed 17 December 2015)
P Loynes	(appointed 1 December 2015, resigned 17 December 2015)
SF Baker	(appointed 1 December 2015, resigned 17 December 2015)
I Kolev	(appointed 1 December 2015, resigned 17 December 2015)
PCM Ekas	(resigned 1 December 2015)
RD Prince	(resigned 1 December 2015)

Directors' indemnities

The company maintains liability insurance for its directors and officers.

Employment policy

The operations of the company were managed on a central basis under a management agreement with Redefine BDL Hotels Limited. The company relies on the terms of the management agreement, as regards employees, in that the management company shall take all steps to enable the company to comply with any obligations it may have. As such, the employment policies in place embody the principles of equal opportunity. This includes suitable procedures to support the policy that individuals should not be discriminated against on the basis of race, disability, age, gender, sexuality or religion and that they should be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities. The value of employee involvement in effective communications is recognised, as is the need for their contribution to decision making on matters affecting their jobs. To achieve employee involvement at the most relevant level, there is a framework in place for consultation and information.

Creditor payment policy

The company agrees commercial terms with suppliers (including payment terms) and, if performance accords with these terms, aims to abide by the agreed payment arrangements.

Going concern

The directors' assessment of the company's ability to adopt the going concern basis of accounting is set out in note 1 to the financial statements.

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director 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/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



JB Robinson

Director

Date: 30 September 2016

Directors' responsibilities statement

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

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that 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 applicable United Kingdom Accounting Standards, including 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 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 Ribbon Hotels Group (UK) Limited

We have audited the financial statements of Ribbon Hotels Group (UK) Limited for the year ended 31 December 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 24. 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 FRS 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 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 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 profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report to the members of Ribbon Hotels Group (UK) Limited *(continued)*

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.



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Timothy Steel ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

Date: 30/9/16

Ribbon Hotels Group (UK) Limited

Profit and loss account

For the year ended 31 December 2015

		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	Note	2015 £'000	2015 £'000	2015 £'000	2014 £'000	2014 £'000	2014 £'000
Turnover	3	29,251	2,947	32,198	30,068	14,200	44,268
Cost of sales		(1,453)	(204)	(1,657)	(1,445)	(1,120)	(2,565)
Gross profit		27,798	2,743	30,541	28,623	13,080	41,703
Selling and distribution expenses		(1,340)	(140)	(1,480)	(1,306)	(649)	(1,955)
Administrative expenses		(22,431)	(2,317)	(24,748)	(23,254)	(10,357)	(33,611)
Operating profit before impairments	4	4,027	286	4,313	4,063	2,074	6,137
Impairment provision reversal of tangible assets		-	-	-	-	2,266	2,266
Amounts written back to investments		-	-	-	3,173	5,480	8,653
Operating profit after impairments		4,027	286	4,313	7,236	9,820	17,056
Profit on disposal of operations	22	-	16,320	16,320	-	2,744	2,744
Other interest receivable and similar income	8	144	-	144	231	-	231
Interest payable and similar charges	9	(1,915)	-	(1,915)	(1,883)	-	(1,883)
Profit on ordinary activities before tax		2,256	16,606	18,862	5,584	12,564	18,148
Tax on profit on ordinary activities	10	(803)	643	(160)	52	(308)	(256)
Profit for the financial year		1,453	17,249	18,702	5,636	12,256	17,892

There is no other comprehensive income for the current or prior year other than those included above, therefore a statement of other comprehensive income has not been presented.

The notes on pages 11 to 23 are an integral part of these financial statements.

Ribbon Hotels Group (UK) Limited


Balance sheet

As at 31 December 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Tangible assets	11	8,560	20,279
Investments in subsidiary undertakings	12	45,181	62,860
Other investments	13	85	85
		<u>53,826</u>	<u>83,224</u>
Current assets			
Inventories	14	68	125
Trade and other receivables	15	125,807	118,157
Cash and cash equivalents	16	13	16
		<u>125,888</u>	<u>118,298</u>
Creditors: Amounts falling due within one year	17	(114,928)	(155,090)
Net current assets/(liabilities)		<u>10,960</u>	<u>(36,792)</u>
Total assets less current liabilities			
Provision for liabilities	18	(443)	(791)
Net assets		<u>64,343</u>	<u>45,641</u>
Capital and reserve			
Called up share capital		-	-
Retained earnings		64,343	45,641
Shareholder's funds		<u>64,343</u>	<u>45,641</u>

The notes on pages 11 to 23 are an integral part of these financial statements.

These financial statements were approved by the Board of directors on 30 September 2016 and were signed on its behalf by:


 JB Robinson
 Director

Company registered number: 00719804

Statement of changes in equity

For the year ended 31 December 2015

	Called up share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2014 (as previously stated)	-	28,359	28,359
Adjustment to equity on transition to FRS 101 (Note 23)	-	(610)	(610)
Restated balance at 1 January 2014	-	27,749	27,749
Profit for the year	-	17,892	17,892
Total comprehensive income for the year	-	17,892	17,892
Balance at 31 December 2014	-	45,641	45,641
Profit for the year	-	18,702	18,702
Total comprehensive income for the year	-	18,702	18,702
Balance as at 31 December 2015	-	64,343	64,343

Notes to the financial statements

For the year ended 31 December 2015

1. Accounting policies

a) General information

Ribbon Hotels Group (UK) Limited (the company) is a limited company incorporated and domiciled in the United Kingdom. The company is registered in England and Wales and the address of its registered office is disclosed in the company information. The principal activity of the company is described in the Strategic report.

Adoption of new and revised Standards

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015. Their adoption has had an impact on the disclosures or on the amounts reported in these financial statements. The impact is outlined in note 23.

Annual Improvements
to IFRSs: 2011-2013

The Company has adopted the various amendments to a number of standards. IFRS 3 *Business Combinations*, IFRS 13 *Fair Value Measurement* and IAS 40 *Investment Property*. The majority of the amendments are in the nature of clarifications rather than substantive changes to existing requirements.

b) Basis of preparation

The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the company has changed its accounting framework from pre-2015 UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. The financial statements have therefore been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The prior year financial statements were restated for material adjustment on adoption of FRS 101 in the current year. Please refer to note 23 for further information.

The following exemptions from the requirements of IFRS have been applied in preparation of these financial statements, in accordance with FRS 101:

- IFRS 7 Financial instruments: Disclosures,
- The following paragraphs of IAS 1 Presentation of financial statements:
 - 10(d) statement of cash flows,
 - 16 statement of compliance with all IFRS,
 - 134-136 capital management disclosures,
- Paragraph 30 and 31 of IAS 8, disclosure and impact of new IFRSs that has been issued but not yet effective, and
- The requirements in IAS 24 of Related party disclosures, to disclose related party transactions entered between two or more members of a group.

Where relevant equivalent disclosures have been given in the consolidated financial statements of Ribbon Midco Limited. The consolidated financial statements of Ribbon Midco Limited are available to the public and can be obtained from 26 Red Lion Square, London, WC1R 4AG.

The financial statements have been prepared on the historical cost basis and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with adopted FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Judgements made by management in the application of FRS 101 that have a significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed below.

The presentation and functional currency of the company is pounds sterling. The financial statements are presented in thousands of pounds (£'000) unless stated otherwise.

Notes to the financial statements *(continued)*

For the year ended 31 December 2015

c) Consolidation exemption

These financial statements are separate financial statements. The company is exempted by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements, because it is included in the consolidated financial statements of Ribbon Midco Limited. The consolidated financial statements of Ribbon Midco Limited are available to the public and can be obtained from 26 Red Lion Square, London, WC1R 4AG.

d) Going concern

On 1 December 2015, the company was acquired by Ribbon Holdco Limited and its subsidiaries (together the "group"). The group owns and operates hotels in the UK.

The group meets its day to day working capital requirements from normal trading activities through its portfolio of hotels. The group's existing debt facility is secured until 2018. The group's financial forecasts, taking account of the existing loan terms and current trading performance, show that the group will be able to operate within the level of its current and future facilities and remain in compliance with the terms of its loan agreements.

After making enquiries, the directors have a reasonable expectation that the Group and the company has adequate resources to continue in operational existence for at least the twelve months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

d) Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment.

e) Foreign currencies

In preparing these financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

f) Revenue recognition

The revenue is primarily derived from hotel operations, including the rental of rooms and sale of food and beverage from a network of owned and leased hotels operated under the InterContinental Hotel Group's brand names.

Revenue is measured at the fair value of the consideration received or receivable excluding value added tax. Revenue is reduced for discounts and other similar allowances.

Revenue from rooms, food and beverage and other related services is recognised when the room is occupied, food and beverages are sold and other related services on the performance of services.

g) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

h) Tangible assets

Tangible assets are stated at cost less accumulated depreciation and impairment losses. Parts of an item of tangible assets having different useful lives are accounted for as separate items.

Notes to the financial statements *(continued)*
For the year ended 31 December 2015

h) Tangible assets *(continued)*

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation is provided to write off the cost less estimated residual value, of each asset evenly over its expected useful life as follows:

Asset class	Depreciation rate
Freehold buildings	Periods up to 50 years
Leasehold buildings	Over the shorter of 50 years and their remaining lease periods
Non-core assets (including building surface finishes and services)	Periods up to 25 years
Plant and machinery	Between 5 and 15 years
Furniture and equipment	Between 3 and 20 years

An item of tangible assets is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of tangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

i) Impairment of tangible assets

At the end of each reporting period, the company reviews the carrying amounts of its tangible assets 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 in order to determine the extent of the impairment loss (if any). The impairment review is performed on an income generating unit basis.

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.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

j) Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value.

The company's non-derivative financial instruments include financial assets at fair value through profit or loss, loans and receivables and other financial liabilities.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including interest or dividend income, are recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments. These include:

Notes to the financial statements *(continued)*
For the year ended 31 December 2015

j) **Financial instruments** *(continued)*

Trade and other receivables

Trade and other receivables are initially recognised at fair value, based upon discounted cash flows at prevailing interest rates for similar instruments, or at their nominal amount less impairment losses if due in less than 12 months. Subsequent to initial recognition, trade and other receivables are valued at amortised cost less impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. The cash and cash equivalents are stated at their nominal values, as this approximates to amortised cost.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Trade and other payables

Trade and other payables are initially recognised at fair value, based upon the nominal amount outstanding. Subsequent to initial recognition, they are recorded at amortised cost.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. These financial assets are considered to be impaired when 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. Objective evidence of impairment could include:

- Default by a debtor;
- significant financial difficulty of the debtors or counterparty;
- breach of contract; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. 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 90 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 loss recognised is the difference 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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derecognition of financial assets

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. Any interest in such transferred financial assets that is created or retained by the company is recognised as a separate asset or liability.

Notes to the financial statements *(continued)*
For the year ended 31 December 2015

j) Financial instruments *(continued)*

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Fair values

For financial instruments not traded in an active market, the fair value is determined using discounted cash flow analysis with market observable data as far as possible.

k) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

l) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

m) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

n) Employee benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

o) Taxation

Tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the profit and loss account because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Notes to the financial statements *(continued)*

For the year ended 31 December 2015

o) Taxation *(continued)*

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or 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.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

2. Critical accounting judgements and sources of estimation uncertainty

In the application of the company's accounting policies, the directors of the company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Impairment of investment in subsidiary undertakings

Determining whether the company's investment in subsidiary undertakings have been impaired requires estimations of the investment's values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investment and suitable discount rates in order to calculate present values. Based on the assessment made during the period, the investment in subsidiary undertakings is not considered to be impaired.

Impairment of land and buildings

Determining whether the company's land and buildings have been impaired requires estimations of their values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the use of the asset over its estimated useful life and suitable discount rate in order to calculate present values.

Deferred tax

The determination as to whether assets will be consumed through use or sale can have a significant impact on their tax bases, which has a material impact on the deferred tax liability arising on differences between their carrying values and tax bases. Management have concluded that the short leasehold land and buildings will be consumed in full over the life of the lease and that long leasehold and freehold buildings will be partially consumed through use in line with the depreciation policy. All other fixed assets are assumed to be consumed through use.

Notes to the financial statements (continued)
For the year ended 31 December 2015

2. Critical accounting judgements and sources of estimation uncertainty (continued)

Trade and other receivables

The total carrying amount of trade and other receivables are net of impairment losses after giving consideration to past experience of collecting payments, the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions. A different assessment of these considerations may result in different values being determined.

3. Turnover

The revenue of the company is derived from its principal activity of owning and operating hotels in the United Kingdom. The revenue from continuing hotel operations amounted to £29m (2014: £30m).

4. Operating profit

Operating profit for the year from continuing operations has been arrived after charging/(crediting):

	2015 £'000	2014 £'000
Depreciation of tangible assets	975	1,329
Impairment charge/(reversal) on tangible assets	1,013	(2,266)
Amounts written back to investments	-	(8,653)
Staff costs (Note 6)	7,737	12,746
Operating lease rentals:		
- plant and machinery	135	229
- land and buildings	5,861	6,882

5. Auditor's remuneration

Auditor's remuneration of £26,100 (2014: £10,500) has been borne by a fellow group undertaking in both the current and prior year.

6. Particulars of employees

The average number of salaried staff employed, excluding directors, during the financial year amounted to 394 employees (2014: 411 employees).

The above numbers are averages for the year and calculated on a full-time equivalent basis. The aggregate payroll costs of the above were:

	2015 £'000	2014 £'000
Wages and salaries	7,196	11,943
Social security cost	459	692
Other pension schemes (Note 20)	82	111
	<u>7,737</u>	<u>12,746</u>

7. Directors' remuneration

The directors received no emoluments or benefits from the company for their services in the current or prior year.

8. Other interest receivable and similar income

	2015 £'000	2014 £'000
Interest receivable from fellow group undertakings	138	225
Dividend income	6	6
	<u>144</u>	<u>231</u>

Notes to the financial statements *(continued)*
For the year ended 31 December 2015

9. Interest payable and similar charges

	2015 £'000	2014 £'000
Interest on loans from fellow group undertakings	<u>1,915</u>	<u>1,883</u>

10. Tax

	2015 £'000	2014 £'000
Current tax		
Corporation tax charge for current year	539	1,006
Adjustment in respect of previous years	<u>(31)</u>	<u>(585)</u>
Total current tax	508	421
Deferred tax		
Origination and reversal of temporary differences	(258)	(119)
Adjustment in respect of previous years	(12)	-
Effect of changes in tax rates	<u>(78)</u>	<u>(46)</u>
Total deferred tax	(348)	(165)
Total tax (credit)/charge for the year	<u>160</u>	<u>256</u>

Factors affecting current tax charge for the year

The tax on profit on ordinary activities for the year is lower than (2014: lower than) the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%).

The differences are reconciled below:

	2015 £'000	2014 £'000
Profit before tax on continuing operations	<u>18,861</u>	<u>18,148</u>
Corporation tax at standard rate	3,819	3,900
Effects of:		
Expenses not deductible for tax purposes	1,706	21
Income not taxable for tax purposes	(5,012)	(2,503)
Change in unrecognised deferred tax assets	7	13
Disposal of tangible assets	(701)	(137)
Property valuation movement	430	(417)
Adjustment in respect of previous years	(43)	(585)
Effect of changes in tax rate	<u>(46)</u>	<u>(36)</u>
Total tax charge for the year	<u>160</u>	<u>256</u>

Factors affecting the tax charge in future years

Reductions in the UK corporation tax rate from 21% (effective from 1 April 2014) to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017), and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the future current tax charges accordingly.

Ribbon Hotels Group (UK) Limited

Notes to the financial statements (continued)

For the year ended 31 December 2015

11. Tangible assets

	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and machinery £'000	Furniture, fittings and equipment £'000	Total £'000
Cost						
At 1 January 2015	-	17,161	2,699	14,740	13,188	47,788
Additions	-	-	-	180	357	537
Disposals	-	(7,869)	-	(5,830)	(3,017)	(16,716)
Reclassification	-	(1,013)	1,013	-	-	-
At 31 December 2015	-	8,279	3,712	9,090	10,528	31,609
Depreciation						
At 1 January 2015	(2,266)	6,519	2,126	11,210	9,920	27,509
Charge for the year	-	50	153	349	424	976
Disposals	2,266	(1,384)	-	(4,312)	(2,006)	(5,436)
At 31 December 2015	-	5,185	2,279	7,247	8,338	23,049
Net book value						
At 31 December 2015	-	3,094	1,433	1,843	2,190	8,560
At 31 December 2014	2,266	10,642	573	3,530	3,268	20,279

The company's land and buildings are held as security in respect of bank loans taken by Ribbon Holdco Limited and Ribbon Midco Limited, company's intermediate parent undertakings.

12. Investments

	2015 £'000	2014 £'000
Shares in subsidiary undertaking	45,181	62,860
Subsidiary undertakings		
Cost		
At 1 January 2015		64,992
Disposal		(17,679)
At 31 December 2015		47,313
Impairment		
At 1 January and 31 December 2015		2,132
Net book value		
At 31 December 2015		45,181
At 31 December 2014		62,860

Notes to the financial statements (continued)
For the year ended 31 December 2015

12. Investments (continued)

Details of subsidiary undertakings

Details of the investment in the company's subsidiary undertakings are as follows:

Subsidiary undertakings	Country of incorporation	Ownership Interest in ordinary shares (%)
Centre Hotels (Cranston) Limited	Scotland	100%
Ribbon IG Limited (formerly LRG IG Limited)	England and Wales	100%
Ribbon Holdings No.2 Limited (formerly LRG Holdings No.2 Limited)	England and Wales	100%
HI (Brent Cross) Limited	England and Wales	100%
HI (Maidenhead) Limited	England and Wales	100%
HI (Strathclyde) Limited	England and Wales	100%
Ribbon Holdings Limited (formerly LRG (UK) Limited)	England and Wales	100%

All of the above are direct subsidiaries, except Ribbon IG Limited, which is a subsidiary of Centre Hotels (Cranston) Limited.

13. Other investments

	2015 £'000	2014 £'000
<i>At fair value through profit or loss</i>		
Preference shares	85	85

The company has investment in unlisted fixed 7% cumulative preference shares of a fellow group undertaking. The fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

14. Inventories

	2015 £'000	2014 £'000
Consumables	68	125

There is no material difference between the carrying value and their replacement costs.

15. Trade and other receivables

	2015 £'000	2014 £'000
<i>Amounts falling due within one year</i>		
Trade receivables	601	1,565
Amounts due from group undertakings	123,593	115,279
Other receivables	250	34
Prepayments and accrued income	1,363	1,279
	125,807	118,157

Amounts owed by fellow group undertakings are repayable on demand. Included in this balance is an amount of £10,596,000 on which interest is charged at Libor +1% (2014: Libor +1%).

16. Cash and cash equivalents

	2015 £'000	2014 £'000
Bank balances	13	16

Notes to the financial statements (continued)
For the year ended 31 December 2015

17. Creditors: Amounts falling due within one year

	2015 £'000	2014 £'000
Trade payables	278	430
Amounts owed to group undertakings	37,514	74,790
Loan from group undertakings	74,552	74,552
Corporation tax	473	473
Other taxes and social security	403	629
Other payables	535	1,656
Accruals and deferred income	1,173	2,560
	114,928	155,090

Amounts owed to fellow group undertakings are repayable on demand and no interest is charged on the balance.

The loan payable to fellow group undertaking was issued on 24 May 2005 and is repayable on demand. Interest is payable on the loan at a rate per annum equal to Libor +2% (2014: Libor +2%).

18. Provision for liabilities

Deferred tax liabilities are attributable to the following:

	Property temporary differences £'000
At 1 January 2015	791
Credit to profit or loss	(348)
Balance as at 31 December 2015	443

Deferred tax asset in respect of potential capital losses on the eventual disposal of land and residual value of buildings have not been recognised. The total unrecognised deferred tax asset is estimated at £1.6m (2014: £6.8m).

19. Pension schemes

The company contributes to a defined contribution scheme operated by a group entity. There were no contributions outstanding at the year-end (2014: £nil).

20. Commitments

(a) Capital and other commitments

Amounts contracted for but not provided in the financial statements amounted to £6,000 (2014: £205,000).

(b) Operating lease arrangements

The company as a lessee

At the balance sheet date, the company had outstanding commitments to external parties for future minimum lease payments under non-cancellable operating leases over short leasehold land and buildings, which fall due as follows:

	2015 £'000	2014 £'000
Within one year	3,890	3,890
Between one and five years	8,260	12,150
	12,150	16,040

The above does not include any internal operating lease arrangements.

Notes to the financial statements *(continued)*

For the year ended 31 December 2015

21. Parent and ultimate controlling party

The immediate parent of the company is SC Hotels & Holidays Limited, a company incorporated in the United Kingdom. Between 1 January and 30 November 2015, the company was controlled by LRG Holdings Limited, a company incorporated in the United Kingdom, which was the company's ultimate controlling party during that period. On 1 December 2015, the company was acquired by Ribbon Holdco Limited and its subsidiaries and from that date onwards the ultimate controlling party is Apollo Global Management, LLC, a company incorporated in Delaware, United States of America.

The largest group to consolidate these financial statements from 1 December 2015 is that of Apollo Global Management, LLC. The consolidated financial statements of Apollo Global Management, LLC for the year ended 31 December 2015 are available to the public and may be obtained from the principal place of business, 9 West 57th Street, 43rd Floor, New York, New York 10019, United States of America.

The smallest group to consolidate these financial statements from 1 December 2015 is that of Ribbon Midco Limited. The consolidated financial statements of Ribbon Midco Limited for the 2-month period ended 31 December 2015 are available to the public and may be obtained from the principal place of business 26 Red Lion Square, London, WC1R 4AG.

22. Discontinued operations

During the year, the company sold two of its hotels and made a gain on disposal of £16m (2014: one hotel was sold and made a gain on disposal of £2.7m). The related results are presented as discontinued operations in the profit and loss account.

23. Transition from pre-2015 UK GAAP to FRS 101

This is the first year that the company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (pre-2015 UK GAAP) were for the year ended 31 December 2014 and the date of transition to FRS 101 was therefore 1 January 2014.

Reconciliation of equity	1 January 2014 £'000	31 December 2014 £'000
Equity reported under previous UK GAAP	<u>28,359</u>	<u>46,117</u>
Adjustment to equity on transition to FRS 101:		
- Deferred tax	(610)	(476)
Equity reported under FRS 101	<u>27,749</u>	<u>45,641</u>

Reconciliation of total comprehensive income for the year ended 31 December 2014

	2014 £'000
Total comprehensive income for the financial year under previous UK GAAP	17,758
- Deferred tax	134
Total comprehensive income for the financial year under FRS 101	<u>17,892</u>

Notes to the reconciliation of profit or loss on transition to FRS 101

Deferred tax

As a result of adoption of FRS 101, the company has changed its accounting policy for measuring deferred tax from timing differences to temporary differences. This has resulted into an additional deferred tax liability charge recognised in the financial statements.

Notes to the financial statements *(continued)*
For the year ended 31 December 2015

24. Events after the balance sheet date

On 27 September, the company entered into a sales agreement for the leasehold of Holiday Inn Mayfair. Ownership of the asset is likely to transfer on 1 October 2016.