

Registered number: 01796064

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**QUALITY HOTELS LIMITED**

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**SMALL COMPANY FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**QUALITY HOTELS LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	Jeffrey William Lobb Mark Steven Pearce
<b>Company secretary</b>	Mitre Secretaries Limited
<b>Registered number</b>	01796064
<b>Registered office</b>	2nd Floor 67-74 Saffron Hill London EC1N 8QX
<b>Independent auditor</b>	Crowe Clark Whitehill St Brides House 10 Salisbury Square London EC4Y 8EH

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**QUALITY HOTELS LIMITED**

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**QUALITY HOTELS LIMITED**  
**REGISTERED NUMBER: 01796064**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2016**

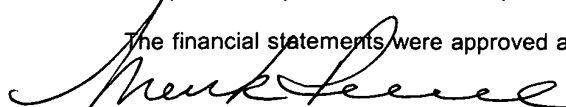
	Note	2016 £	2015 £
<b>Fixed assets</b>			
Tangible assets	7	78,437	65,953
		<u>78,437</u>	<u>65,953</u>
<b>Current assets</b>			
Debtors	8	553,998	334,549
Cash at bank and in hand	9	952,589	883,746
		<u>1,506,587</u>	<u>1,218,295</u>
Creditors: amounts falling due within one year	10	(556,433)	(274,484)
<b>Net current assets</b>		<u>950,154</u>	<u>943,811</u>
<b>Total assets less current liabilities</b>		<u>1,028,591</u>	<u>1,009,764</u>
<b>Provisions for liabilities</b>			
Deferred tax		(9,175)	-
		<u>(9,175)</u>	<u>-</u>
<b>Net assets</b>		<u><u>1,019,416</u></u>	<u><u>1,009,764</u></u>
<b>Capital and reserves</b>			
Called up share capital		100,000	100,000
Profit and loss account		919,416	909,764
		<u><u>1,019,416</u></u>	<u><u>1,009,764</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the profit and loss account in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

 *MARCK 27 2017*

**Mark Steven Pearce**  
Director

The notes on pages 4 to 14 form part of these financial statements.

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**QUALITY HOTELS LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2016	100,000	909,764	1,009,764
<b>Comprehensive income for the year</b>			
Profit for the year	-	9,652	9,652
<b>Other comprehensive income for the year</b>	-	-	-
<b>Total comprehensive income for the year</b>	-	9,652	9,652
<b>Total transactions with owners</b>	-	-	-
<b>At 31 December 2016</b>	<b>100,000</b>	<b>919,416</b>	<b>1,019,416</b>

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**QUALITY HOTELS LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2015	100,000	794,436	894,436
<b>Comprehensive income for the year</b>			
Profit for the year	-	115,328	115,328
<b>Other comprehensive income for the year</b>	-	-	-
<b>Total comprehensive income for the year</b>	-	115,328	115,328
<b>Total transactions with owners</b>	-	-	-
<b>At 31 December 2015</b>	<b>100,000</b>	<b>909,764</b>	<b>1,009,764</b>

The notes on pages 4 to 14 form part of these financial statements.

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## QUALITY HOTELS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 1. General information

The company is a private company, limited by shares, incorporated in England and Wales with registration number 01796064. The address of the registered office is 2nd Floor, 67-74 Saffron Hill, London, EC1N 8QX.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 4).

The auditor's report that was included in the annual accounts and reports delivered to the directors was unqualified. The auditor's report was issued by Crowe Clark Whitehill LLP and was signed by Nigel Bostock on ...6 April.....2017.

The following principal accounting policies have been applied:

##### 2.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Revenue is recognised when the service is provided.

##### 2.3 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is provided on the following basis:

Improvements to leasehold property	- Over the term of the lease
Fixtures & fittings	- 12.5% straight line
Office and computer equipment	- 20-33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

##### 2.4 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

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## QUALITY HOTELS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 2. Accounting policies (continued)

##### 2.5 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

##### 2.6 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

##### 2.7 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

##### 2.8 Foreign currency translation

###### Functional and presentation currency

The Company's functional and presentational currency is GBP.

###### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and loss account within 'other operating income'.



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## QUALITY HOTELS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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#### **2. Accounting policies (continued)**

##### **2.9 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

##### **2.10 Pensions**

###### **Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

##### **2.11 Holiday pay accrual**

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance sheet date.

##### **2.12 Interest income**

Interest income is recognised in the Profit and loss account using the effective interest method.

##### **2.13 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

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## QUALITY HOTELS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 2. Accounting policies (continued)

##### 2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

#### 3. Turnover

100% of the company's turnover (2015 - 100%) is attributable to customers based in geographical markets outside the United Kingdom.

#### 4. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these entities.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revisited and in any future periods affected.

The key accounting policies and key sources of estimation uncertainty relate to the recognition of revenue.

#### 5. Auditor's remuneration

Fees payable to the Company's auditor for the audit of the Company's annual financial statements totalled £8,000 (2015 - £7,600).

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**QUALITY HOTELS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**6. Employees**

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	1,561,896	1,318,061
Social security costs	173,699	159,622
Cost of defined contribution scheme	81,001	56,802
	<u>1,816,596</u>	<u>1,534,485</u>

The average monthly number of employees, including directors, during the year was 41 (2015 - 41).

**7. Tangible fixed assets**

	Leasehold Improvements £	Fixtures & fittings £	Office equipment £	Total £
<b>Cost or valuation</b>				
At 1 January 2016	2,850	68,507	67,595	138,952
Additions	-	-	43,360	43,360
At 31 December 2016	<u>2,850</u>	<u>68,507</u>	<u>110,955</u>	<u>182,312</u>
<b>Depreciation</b>				
At 1 January 2016	261	56,377	16,361	72,999
Charge for the period on owned assets	570	8,563	21,739	30,872
At 31 December 2016	<u>831</u>	<u>64,940</u>	<u>38,100</u>	<u>103,871</u>
<b>Net book value</b>				
At 31 December 2016	<u>2,019</u>	<u>3,567</u>	<u>72,855</u>	<u>78,441</u>
At 31 December 2015	<u>2,589</u>	<u>12,130</u>	<u>51,234</u>	<u>65,953</u>

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**QUALITY HOTELS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**7. Tangible fixed assets (continued)**

The net book value of land and buildings may be further analysed as follows:

	2016 £	2015 £
Short leasehold	2,019	2,589
	<u>2,019</u>	<u>2,589</u>

**8. Debtors**

	2016 £	2015 £
<b>Due after more than one year</b>		
Other debtors	49,105	49,105
	<u>49,105</u>	<u>49,105</u>
<b>Due within one year</b>		
Trade debtors	13,566	665
Amounts owed by group undertakings	425,856	229,994
Other debtors	30,590	28,231
Prepayments and accrued income	34,881	26,554
	<u>553,998</u>	<u>334,549</u>

**9. Cash and cash equivalents**

	2016 £	2015 £
Cash at bank and in hand	952,589	883,746
	<u>952,589</u>	<u>883,746</u>

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**QUALITY HOTELS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**10. Creditors: Amounts falling due within one year**

	2016 £	2015 £
Trade creditors	21,799	34,419
Amounts owed to group undertakings	2,874	16,043
Corporation tax	4,637	628
Other taxation and social security	43,343	37,933
Other creditors	8,800	7,092
Accruals and deferred income	474,980	178,369
	<u>556,433</u>	<u>274,484</u>

**11. Financial instruments**

	2016 £	2015 £
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	952,589	883,746
	<u>952,589</u>	<u>883,746</u>

Financial assets measured at fair value through profit or loss comprise of bank balances £952,589 (2015: £883,746)

Financial assets measured at amortised cost comprise of: trade debtors £13,566 (2015: £665), other debtors £79,695 (2015: £77,336), amount due from group undertakings £425,856 (2015: £229,994) and prepayments £34,881 (2015: 26,554).

Financial liability measured at amortised cost comprise of: trade creditors £35,261 (2015: £34,419), other creditors £8,802 (2015: £7,092), amount due from group undertakings £2,874 (2015: £16,043), accruals £461,521 (2015: 178,369) and other taxes £44,123 (2015: £38,561).

**12. Deferred taxation**

	2016 £
Charged to profit or loss	(9,175)
<b>At end of year</b>	<u>(9,175)</u>

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QUALITY HOTELS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

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**12. Deferred taxation (continued)**

The deferred taxation balance is made up as follows:

	2016 £
Accelerated capital allowances	(10,671)
Short term timing differences	1,496
	<u>(9,175)</u>

**13. Pension commitments**

The company contributes into a qualifying workplace pension scheme for the benefit of all employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The pension cost charge represents contributions payable by the company to the fund and amounted to £81,001 (2015 - £56,802). Contributions totalling £8,801 (2015 - £7,093) were payable to the fund at the balance sheet date and are included in creditors.

**14. Commitments under operating leases**

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	96,362	96,362
Later than 1 year and not later than 5 years	138,270	234,632
	<u>234,632</u>	<u>330,994</u>

**15. Controlling party**

The company is a wholly owned subsidiary of Choice Hotels Licensing B.V., a company incorporated in the Netherlands, which is a wholly owned subsidiary of the ultimate parent company, Choice Hotels International Inc., a company incorporated in the USA.

The consolidated financial statements of Choice Hotels International Inc. are available to the public and may be obtained from 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850, USA.

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**QUALITY HOTELS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**16. Related party transactions**

The company has taken advantage of the exemption in Financial Reporting Standard 102 Section 33.1.A "Related Party Disclosure" not to disclose transactions with other members of the group on the grounds that 100% of the voting right are controlled within the group.

QUALITY HOTELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

17. First time adoption of FRS 102

The Company transitioned to FRS 102 from previously extant UK GAAP as at 1 January 2015. The impact of the transition to FRS 102 is as follows:

	As previously stated 1 January 2015	Effect of transition (as restated) 1 January 2015	FRS 102 1 January 2015	As previously stated 31 December 2015	Effect of transition (as restated) 31 December 2015	FRS 102 31 December 2015
	£	£	£	£	£	£
Fixed assets	21,942	-	21,942	65,953	-	65,953
Current assets	1,161,001	-	1,161,001	1,218,295	-	1,218,295
Creditors: amounts falling due within one year	288,507	-	288,507	274,484	-	274,484
<b>Net current assets</b>	<b>872,494</b>	<b>-</b>	<b>872,494</b>	<b>943,811</b>	<b>-</b>	<b>943,811</b>
<b>Total assets less current liabilities</b>	<b>894,436</b>	<b>-</b>	<b>894,436</b>	<b>1,009,764</b>	<b>-</b>	<b>1,009,764</b>
<b>Net assets</b>	<b>894,436</b>	<b>-</b>	<b>894,436</b>	<b>1,009,764</b>	<b>-</b>	<b>1,009,764</b>
<b>Capital and reserves</b>	<b>894,436</b>	<b>-</b>	<b>894,436</b>	<b>1,009,764</b>	<b>-</b>	<b>1,009,764</b>



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**QUALITY HOTELS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**17. First time adoption of FRS 102 (continued)**

	<i>As previously stated 31 December 2015 £</i>	<i>Effect of transition 31 December 2015 £</i>	<b>FRS 102 (as restated) 31 December 2015 £</b>
<b>Note</b>			
Turnover	2,383,893	-	2,383,893
	<u>2,383,893</u>	<u>-</u>	<u>2,383,893</u>
Administrative expenses	(2,249,356)	-	(2,249,356)
	<u>(2,249,356)</u>	<u>-</u>	<u>(2,249,356)</u>
<b>Operating profit</b>	<b>134,537</b>	<b>-</b>	<b>134,537</b>
Interest receivable and similar income	395	-	395
Taxation	(19,604)	-	(19,604)
	<u>(19,604)</u>	<u>-</u>	<u>(19,604)</u>
<b>Profit on ordinary activities after taxation and for the financial year</b>	<b>115,328</b>	<b>-</b>	<b>115,328</b>
	<u><u>115,328</u></u>	<u><u>-</u></u>	<u><u>115,328</u></u>

Explanation of changes to previously reported profit and equity:

- 1 There were no changes to the comparative numbers as a consequence of the transition to FRS102.