

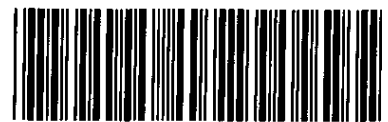
Registered no. 2793825

Lomondo Limited

Report and Unaudited Financial Statements

Year ended 31 December 2016

MONDAY



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COMPANIES HOUSE

Directors and advisers

Directors

Gabriel Escarrer Jaume

Gabriel Escarrer Julia (termination of appointment: 13th December 2016)

Mark Hoddinott

Andre Philippe Gerondeau (appointed: 13th December 2016)

Secretary

Blake Morgan LLP

New Kings Court

Tollgate

Chandler's Ford

Eastleigh SO53 3LG

Independent Auditors

Exempt in accordance with Companies Act 2006

Section 479A

Bankers

Barclays Bank PLC

Floor 27

1 Churchill Place

London E14 5HP

Solicitors

Blake Morgan LLP

New Kings Court

Tollgate

Chandler's Ford

Eastleigh SO53 3LG

Registered Office

Hotel Meliá The White House

Albany Street

Regents Park

London NW1 3UP

Strategic Report

For the year ended 31 December 2016

Principal activities and review of the business

The Company's principal activity during the year was that of operating and managing a hotel and apartments.

The Company's key financial and other performance indicators during the year were as follows:

	2016	2015	Change
	£000	£000	%
Revenue continued operations	36,095	34,041	6%
Total operating profit continued operations	3,729	4,784	-22%
Profit after tax continued operations	2,967	4,357	-32%
Current assets as % of current liabilities	110%	102%	7%
Occupancy Melia White House Hotel	76.51%	80.63%	-4.12%
RevPAR Melia White House Hotel	101.46	108.46	-6.46%
ARR Melia White House Hotel	132.61	134.52	-1.42%
Occupancy Melia White House Apartments	85.55%	92.07%	-7.08%
RevPAR Melia White House Apartments	80.74	79.95	0.99%
ARR Melia White House Apartments	94.37	86.83	8.69%
Occupancy Inside Manchester	70.34%	56.61%	24.26%
RevPAR Inside Manchester	65.36	50.11	30.43%
ARR Inside Manchester	92.91	88.52	4.95%

*RevPAR – room revenue per available room

**ARR – average room rate

For 2016 Lomondo Ltd is looking into two markets in UK – London market and Manchester market.

2016 was characterised by weak demand and strong supply growth and London saw negative RevPAR trading in 8 out of 12 months in 2016, although a dynamic November and December (RevPAR leapt 14.3% year-over-year growth in December 2016) helped lift the year. End of date tourism data show strong inbound growth in holiday travel in November and December. While the end of year flourish is partly a flection of the impact of weak comparable following the November Paris bombings in 2015, it also reflects the positive impact of the weak pound. In the end 2016 saw occupancy average 81%, a 0.9% decline over 2015; ADR stayed at record levels at £143 despite zero growth, and as a result, 2016 RevPAR saw a 0.9% decline to £116.

Our performance in 2016 varies from the London market. Our occupancy levels underperformed market trends reaching 76.51%. We have focused on improving margins, looking for new segments by expanding our melia.com strategy. Also, our Apartments unit, after refurbishment in 2015, provided us with additional healthy rooms revenue and contributed to F&B spending in our restaurants.

Inside Manchester Hotel has delivered a good results in the second year of trading. We have grown in occupancy and ARR. Profitability of the unit was affected by rental charges.

Principal risk and uncertainties

This section describes some of the risks that could have a material effect on the Company's business activities. Not all potential risks are listed but those that, in the opinion of the Board, could have a material effect on revenues, profits, net assets and financial resources.

Strategic Report

For the year ended 31 December 2016

EVENTS THAT ADVERSELY IMPACT DOMESTIC OR INTERNATIONAL TRAVEL - The ability to sustain given levels of occupancy and room rates can be adversely affected by events that reduce domestic or international travel. Such events may include acts of terrorism, epidemics, natural disasters, increased cost of travel and industrial action. The Company has in place contingency and recovery plans to enable it to respond to major incidents.

KEY PERSONNEL - Implementation of the Company's strategy depends on its ability to attract, develop and retain employees with the appropriate skills, experience and aptitude. Implementation and development of a company induction scheme as well as ongoing training and development combined with attractive compensation, benefit and incentive schemes all help to minimise this risk.

INFORMATION TECHNOLOGY SYSTEMS AND INFRASTRUCTURE - The Company invests in systems that are appropriate to the business so as to maximise client relationship management, provide effective communication internally and externally and provide comprehensive reporting capability. The monitoring and development of such systems are outsourced to the parent company to provide continuity and a cost-effective solution.

THE HOTEL INDUSTRY SUPPLY AND DEMAND CYCLE - The hotel industry operates in an inherently cyclical market place. A weakening in demand or an increase in market supply may lead to downward pressure on room rates and/or occupancies. The Company has systems in place that are designed to minimise the impact of such fluctuations as far as possible to optimise operating profits.

Future developments

Forecasts of the Hotel are based on the London and Manchester market.

While the UK saw economic growth in the final months of 2016 and led the G7 rankings with 2016 GDP growth of around 2%, it is expected to fall back to a middling position in 2017 as growth slows. This reflects the gradual drag on business investment from Brexit-related uncertainty, as well as the squeeze on real household spending power from the weaker pound. Nevertheless, parts of the UK economy should remain relatively strong, particularly in the consumer services, technology and importantly for the forecast, tourism sectors. Recent business trends surveys including the ICAEW report confidence on an upward trend.

PWC anticipate a key feature of 2017 to be a re-emergence of inflation, which could squeeze real earnings growth and potentially rein in some leisure spend. We expect the Bank of England to keep interest rates on hold for 2017, waiting to see how the economic impact of Brexit unfolds.

Nevertheless, despite all above, there remain considerable headwinds and notwithstanding recent reported rises in business confidence, there are reasons to remain gloomy on the outlook for household expenditure, inflation, costs and business investment. Global turbulence is making for a highly unpredictable future. PwC expect politics will drive global uncertainty and economics in 2017. In particular, the crucial issue that could make it more difficult: safety and security concerns which are the key problem for travellers and international events organisers over UK cities.

PWC is forecasting a much better year for London in 2017. The economy hasn't turned out as bad as previously predicted and the World and European economy are stronger which should drive demand for travel. Better than expected UK GDP growth in 2016 also means the assumptions underpinning this forecast are now more positive. In addition, the weak pound appears to be finally driving stronger travel demand and this is reflected in robust RevPAR growth since November 2016 and importantly, into January 2017. The latest forecast for 2017 anticipates RevPAR growth of 3.3% taking RevPAR to £120, driven by a 2.4% ADR. After two consecutive years of decline in occupancy rates, PWC anticipate a 0.9% increase over 2016, keeping occupancy high at 82%. In 2018 PWC anticipate a further 2.5% RevPAR

Strategic Report

For the year ended 31 December 2016

advance to £123, supported by a 2% ADR gain, taking ADR to £149 in nominal terms. Above average supply growth continues and potentially could inflict pressure on existing supply in some new development hot spots. In Provinces occupancy is expected to remain high at 76% for both years but growth is expected to remain muted in both 2017 and 2018. In 2018 PWC anticipate RevPAR growth slowing to 1.7%, supported by a further 1.5% ADR improvement.

We anticipate 2017 will be a good year. Our brand recognition, implementation of new sales strategies and our focus on customer approaches give us confidence that we will retain existing, and gain new, customers. We are continuing to grow our revenue and market presence for F&B concept. Our apartments unit adds additional value to the Company, provides diversification of the services offered to the market and makes the Company more competitive and in line with current trend of the market, i.e. serviced apartments.

Also, Ininside Manchester Hotel is growing and already delivering good results.

We are planning to open new hotels in UK in 2018-19.

In addition, Meliá Hotels International S.A. is constantly looking at synergies between UK units. In December 2015 the UK holding company- Melia Hotels International UK Ltd - was opened to smooth the cooperation between UK units. Certain support and administration services has been already clustered (i.e. accounts receivable, tax and audit compliance, procurement, payroll management), which are bringing additional value to the units.

Financial risk management

The Company's activities expose it to a variety of financial risks, including:

- Foreign currency exchange risk – risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The foreign currency exchange risk is very limited. The majority of the transactions of the Company are in pound sterling. There are only a few suppliers (mostly intercompanies) which will be paid in different currency.

- Price risk – risk that price of service fluctuates and gives uncertainty on revenue flows.

The Company has long-term contracts with a number of customers and suppliers across the world. As a consequence, the directors believe that the company is well placed to manage its business risk successfully.

- Liquidity risk (funding risk) – risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments.

At 31 December 2016 the Company had £12,816k of cash which is more than sufficient to meet the ongoing cash requirements of the business. The Company does not have any loan commitments.

The directors are expecting an increase in cash in 2017 due to improved trading in the Meliá White House Hotel and ongoing growth of Ininside Manchester Hotel, maintaining cost levels, payment of outstanding debts and offsetting the cost of refurbishment of the Meliá White House Apartments and communal areas.

After reviewing company cash balances, borrowing facilities and projected cash flows, the directors believe that the company has adequate resources to continue operations for the foreseeable future as a going concern.

Strategic Report

For the year ended 31 December 2016

Corporate and social responsibility

Lomondo Limited as a part of Melia Hotels International S.A. adopts the Group CSR policy, details can be found at <http://www.meliahotelsinternational.com/en/corporate-responsibility>.

TOWARDS OUR CUSTOMERS

Offer our guests the best personalised accommodation experience, exceeding their expectations with the *excellence of our best service*.

TOWARDS SOCIETY

Actively seek to generate prosperity and sustainable development in the communities where we are present, respecting and promoting their culture, traditions and values, and paying particular attention to children and the most vulnerable groups.

TOWARDS THE ENVIRONMENT

Contribute to preserving the environment and landscape, monitoring the impact of our business and promoting awareness about sustainability among our stakeholders.

TOWARDS OUR SUPPLIERS

Use our size and professionalism to build lasting relationships based on trust, respect and mutual benefit.

TOWARDS OUR EMPLOYEES

Offer the best opportunities for professional development, based on the stability of a family company and the strength of a leading international player which knows how to recognise commitment, talent and achievements fairly.

TOWARDS OUR SHAREHOLDERS AND INVESTORS

Manage the company according to criteria for transparency, and ensure strict and proper governance to achieve profitability and increase value in the medium and long term.

TOWARDS OUR OWNERS AND PARTNERS

Offer the best comprehensive services to capitalize on its investment, managing with the professionalism, *integrity and confidence of a large internationally-renowned brand*.

Employment involvement

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the Company's bonus scheme.

Strategic Report

For the year ended 31 December 2016

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career developments and promotion.

Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

The strategic report was approved by the board and signed on its behalf by

Gabriel Escarrer Jaume

Director:

Date:

04/09/2017

Directors' report

for the year ended 31 December 2016

The directors present their report and the audited financial statements of Lomondo Limited (the 'Company') for the year ended 31 December 2016.

Results and dividends

The results for the year and the financial position at the end of the year are as set out in the attached financial statements. The profit for the financial year amounted to £2,967k (2015 – profit £4,357k). The directors recommend the payment of a dividend of £2,900k and a dividend of £4,340k was paid in the year.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements are listed on page 1.

Director indemnities

The Company has made qualifying third party indemnity provisions for the benefits of its directors which were made during the year and remain in force at the date of this report.

Going concern

The director's assessment of going concern has been disclosed in the strategic report on page 5.

Future developments

Future developments have been disclosed in the strategic report on page 3.

Financial risk management

Financial risk management has been disclosed in the strategic report on page 4.

Supplier payment policy and practice

The Company is committed to the prompt payment of bills for goods and services. Payments are done in a batch (payment run) twice per month – at the middle and the end of each month by a bank transfer or a cheque. Payments are usually due within:

1/ for UK suppliers – 30 days

2/ for international suppliers – 60 days

upon presentation of valid invoice or similar demand (only international suppliers), whichever is later.

All Company suppliers are aware of our payment policy and practice. They were informed upon setting up the account with the Company.

At 31 December 2016, the company had an average of 52 days purchases owed to trade creditors (2015: 44 days).

Customers credit policy and practice

The Company credit policy is in line with the Group policy. The payment terms for majority of customers are 21 days from the day of invoice. On the global level, mostly for Spanish global accounts, the payment terms are extended to 60 days.

Majority credit accounts are related to the hotel business. Apartments trading requires prepayment for the stay and guarantee deposit.

In 2016 the Company has achieved the following average recovery period:

1/ all credit accounts (including Spanish and Portuguese) – 58 days (2015: 72 days);

Directors' report

for the year ended 31 December 2016

2/ Spanish and Portuguese accounts – 69 days (2015: 75 days).

The directors report was approved by the board and signed on its behalf by

Gabriel Escarrer Jaume.

Director:

Date:

04/09/2017

Statement of director's responsibilities

The directors are responsible for preparing the Strategic Report, 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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) 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 year. 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 International Financial Accounting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

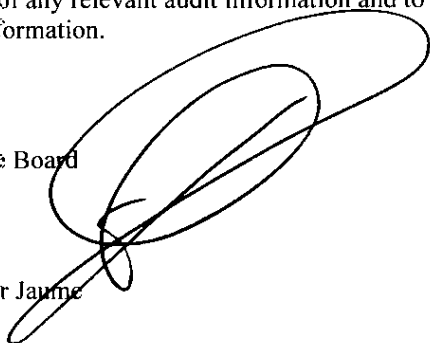
Disclosure of information to group auditors

In accordance with Section 418, director's reports shall include a statement, in the case of each director in office at the date the directors report is approved that:

- (a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) he 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 auditors are aware of that information.

On behalf of the Board

Gabriel Escarrer Jaume
Director



Income statement

For the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Revenue	2	36,095	34,041
Cost of sales		<u>(17,375)</u>	<u>(15,868)</u>
Gross profit		18,720	18,173
Administrative expenses		<u>(14,991)</u>	<u>(13,390)</u>
Operating profit	3	3,729	4,783
Finance income	6	50	12
Finance cost	7	<u>(31)</u>	<u>(1)</u>
Profit before income tax		3,748	4,794
Income tax expense	8	<u>(781)</u>	<u>(437)</u>
Profit for the year from continuing operations		<u>2,967</u>	<u>4,357</u>
Profit for the year	16	<u><u>2,967</u></u>	<u><u>4,357</u></u>

Statement of comprehensive income

for the year ended 31 December 2016

There are no recognised other comprehensive income other than the profit attributable to shareholders of the company of £2,967k (2015 – profit £4,357k) referred to above.

Balance sheet

as at 31 December 2016

	Notes	2016 £000	2015 £000
Assets			
<i>Non - current assets</i>			
Intangible assets	10	380	380
Property, plant and equipment	11	33,196	35,680
		33,576	36,059
<i>Current assets</i>			
Inventories	12	659	619
Trade and other receivables	13	3,897	3,568
Cash and cash equivalent	21	12,816	9,111
		17,371	13,298
Total assets		50,947	49,357
Equity and liabilities			
Ordinary share capital	16	30,931	30,931
Retained earnings	17	3,642	5,015
Total equity		34,573	35,946
Liabilities			
<i>Non - current liabilities</i>			
Borrowings	15	374	376
Deferred income tax liability	9	154	42
		528	418
<i>Current liabilities</i>			
Trade and other payables	14	16,192	12,696
Current income tax liability		(363)	297
Borrowings	15	17	0
		15,846	12,993
Total liabilities		16,374	13,411
Total liabilities and equity		50,947	49,357

Balance sheet

as at 31 December 2016

The notes on the pages from 15 to 29 form part of the financial statements.

All members of the Company anonymously agreed to exemption of audit under section 479A of 2006 Companies House for the accounts period ending 31st December 2016.

Audited consolidated financial statements of Melia Hotels International S.A. (Spain) are filed together with these financial statements and are available from the offices of Public Mercantile Register in Palma de Mallorca (Spain).

Directors acknowledge their responsibilities for complying with the requirements of Companies Act 2006 with respect to accounting records and preparation of financial statements.

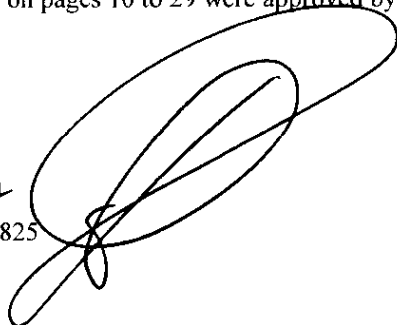
The financial statements on pages 10 to 29 were approved by the board and signed on its behalf by

Gabriel Escarrer Jaume.

Director

Date 04/09/2017

Company number: 2793825



Cash flow statement

for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Cash generated from operations	19	9,747	15,256
Tax paid		(1,316)	(1,944)
Net cash generated from operating activities		8,431	13,312
Cash flows from investing activities			
Purchases of property, plant and equipment		(405)	(4,413)
Interest received		50	12
Net cash used in investing activities		(355)	(4,401)
Cash flows from financing activities			
Dividends paid		(4,340)	(5,000)
Dry Martini loan received		0	376
Interest paid		(31)	(1)
Net cash used in financing activities		(4,371)	(4,626)
Net increase / (decrease) in cash and cash equivalents		3,705	4,285
Cash and cash equivalents at the beginning of the year		9,111	4,825
Cash and cash equivalents at the end of the year		12,816	9,111

Statement of changes in equity

For the year ended at 31 December 2016

		<i>Called up share capital</i> £000	<i>Retained earnings</i> £000	<i>Total equity</i> £000
At 1 January 2016	17	30,931	5,015	35,946
Dividends paid			(4,340)	(4,340)
Profit for the financial year			<u>2,967</u>	<u>2,967</u>
At 31 December 2016	17	<u>30,931</u>	<u>3,642</u>	<u>34,573</u>

Notes to the financial statements

for the year ended 31 December 2016

1. Accounting policies

Accounting convention

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 as applicable to companies using the International Financial Reporting Standards (IFRS) as adopted by European Union and International Financial Reporting Interpretation Committee (IFRIC). The principal accounting policies adopted in the preparation of these financial statements are set out below.

Critical accounting estimates

The Company prepares its financial statements in accordance with IFRS as adopted by the EU, the application of which often requires judgements to be made by management when formulating the financial position and results. Under IFRS, the directors are required to adopt those accounting policies most appropriate to the Company circumstances for the purpose of presenting fairly the Company financial position, financial performance and cash flows.

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Company; it may later be determined that a different choice would have been more appropriate.

Management considers that certain accounting estimates and assumptions relating to revenue, taxation, intangible assets (goodwill and finite lived assets), property, plant and equipment, provisions and contingent liabilities, and impairment are its critical accounting estimates.

A discussion of these critical accounting estimates is provided below.

Goodwill

Goodwill was calculated as the difference between the consideration transferred on the acquisition of a business and the aggregate fair value of its separable net assets.

According to the IFRS 3, goodwill is treated annually for impairment.

When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the income statement.

Property, plant and equipment

Property, plant and equipment (PPE) are stated at historic purchase cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Review for potential impairment of a PPE is carried out by the company if events or changes in circumstances indicate that the carrying amount of the PPE may not be recoverable.

Depreciation

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

Leasehold land and buildings	—	over the lease term
Fixtures and fittings	—	over 4 to 17 years

Notes to the financial statements

for the year ended 31 December 2016

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Revenue

Revenue represents amounts receivable excluding value added tax in respect of the provision of hotel accommodation, conference facilities, meals and apartment rentals wholly within the UK.

Before revenue is recognised reference is made to the stage of completion regarding the provision of the relevant hotel services. Stage of completion is measured by reference to the number of days that the guests have stayed or as a percentage of an agreement completed. Tenant deposits, in regard to the apartments, are only recognised in revenue to the extent that incidental costs arise as disclosed in the signed rental agreements.

Foreign currencies

The presentational and functional currency adopted in these financial statements is Pound Sterling (GBP).

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Borrowings

Borrowing costs are recognised as an expense.

Leasing commitments

Rentals paid under operating leases are charged to income on a straight-line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Provisions and contingency liabilities

Provisions are recognised in financial statement where the Company:

- has a present obligation (legal or constructive) as a result of past events; and

Notes to the financial statements

for the year ended 31 December 2016

- it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

A provision is created by charging the expense to the income statement and recognising the provision in the statement of financial position. In future years, only the movement in the provision is recorded in the income statement to show the best estimate of the liability.

Contingency liabilities are:

- possible obligations that arises from past events and whose existence will be confirmed only by the occurrence or non – occurrence of one or more uncertain future events not whole within the control of the Company; or
- a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
 - the amount of the obligation cannot be measured with sufficient reliability.

These liabilities are not recognised in the accounts but disclosed in notes.

Financial instruments

There is no difference between the fair value estimated for the financial instruments recorded in the accounts and their corresponding carrying values, as explained in the following paragraphs.

Financial assets

Financial assets within the scope of IAS 39 are classified as loans and receivables. They are initially recognised at fair value, whenever an active market exists, plus the transaction costs which are directly allocable.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities carried at amortised cost. These financial liabilities are initially recognised at fair value, adjusted for direct attributable transaction costs.

Standards, amendments and interpretations to standards effective

This year the company adopted the standards approved by the European Union whose application was not obligatory in 2015. These standards had no significant impact on the group's financial situation:

- Annual improvements to the IFRS (2010-2012 cycle): IFRS 2 "Payments based on shares", IFRS 3
- "Business Combinations", IFRS 8 "Operating Segments", IAS 16 "Tangible fixed assets", IAS 38
- "Intangible assets" and IAS 24 "Information to be disclosed on related parties.
- IAS 19 amendment: "Defined benefit plans": Employees' contribution".
- IFRS 11 amendment: "Joint agreements: recording of acquisition of holdings in joint operations".
- IAS 16 and IAS 38 amendment: "Clarification of acceptable depreciation methods".
- IAS 16 and IAS 41 amendment: "Agriculture: Producing plants".
- IAS 27 amendment: "Participation method in separate financial statements".

Notes to the financial statements

for the year ended 31 December 2016

- Annual improvements to the IFRS (2012-2014 cycle): IAS 19 “Employee salaries”, IAS 34 “Interim financial information”, IFRS 5 “Non-working capital assets held for sale and discontinued operations”, IFRS 7 “Financial instruments: Information to be disclosed”.
- IAS 1 amendment: “Information revelation initiative”.
- IAS 28 and IFRS 10 and 12 amendment: “Investment entities: Applying the consolidation exception”.

The accounting policies applied are consistent with those of the previous year, taking into account the adoption of the standards and interpretations commented in the previous paragraph.

New Accounting Standards and Interpretations not yet mandatory or early adopted

The standards issued prior to the date these consolidated annual accounts were formulated and which will take effect on dates subsequent are as follows:

- IFRS 9: “Financial instruments”.
- IFRS 15: “Income from contracts with customers”.
- IFRS 16: “Leases”.
- IAS 28 and IFRS 10 amendment: “Sale or contribution of assets between an investor and its associates or joint ventures”.
- IFRS 15 amendment: “Clarifications to IFRS 15”.
- IAS 7 amendment: “Initiative on information to be disclosed”.
- IAS 12 amendment: “Recognition of deferred tax assets for unrealised losses”.
- IFRS 2 amendment: “Classification and valuation of transactions with payments based on shares”.
- IFRS 4 amendment: “Application of IFRS 9 “Financial instruments” with IFRS 4 “Insurance contracts”.
- Annual improvements to the IFRS (2014-2016 cycle): IFRS 1 “Adoption for the first time of the International Financial Reporting Standards”, IFRS 12 “Disclosure of participations in other entities” and IAS 28 “Investments in associated entities and joint ventures”.

Notes to the financial statements

for the year ended 31 December 2016

2. Revenue

Revenue, which is stated net of value added tax, represents amounts generated during the year. The revenue is attributable wholly to the operation of the hotel in the UK.

The Company is generating the revenue in the segments set out below:

	2016 £000	2016 % in total	2015 £000	2015 % in total
Total Revenue Melia White House	29,782	83%	30,877	91%
Rooms revenue Melia White House Hotel	21,503	72%	22,857	74%
Rental revenue Apartments Melia White House	3,316	11%	3,174	10%
Food and Beverage Melia White House	3,527	12%	3,796	12%
Other revenue Melia White House	806	3%	763	2%
Dry Martini Bar	629	2%	287	1%
Total Ininside Manchester	6,313	17%	3,164	9%
Rental revenue Ininside Manchester	4,962	79%	2,481	78%
Food and Beverage Ininside Manchester	1,024	16%	580	18%
Other revenue Ininside Manchester	327	5%	102	3%
Total revenue	36,095	100%	34,041	100%

Other revenue include the conference and banqueting activities related to meeting room rental and AV revenue and other small revenue generating activities (e.g. guest laundry, copies and printing requests, telephone revenue).

3. Operating profit

This is stated after charging:

	2016 £000	2015 £000
Depreciation of owned property, plant and equipment	2,890	2,892
Loss on asset disposal	0	35
Exchange gain / (loss)	(585)	142
Operating lease rentals:		
- land and buildings	<u>145</u>	<u>145</u>
	2016 £000	2015 £000
Auditors' remuneration - audit	0	45
Tax compliance services	<u>8</u>	<u>8</u>

Notes to the financial statements

for the year ended 31 December 2016

4. Directors' emoluments

Total emoluments received by directors for their services to the company were £ 32,990 in the year ended 31 December 2016 (2015 – £29,537). No other benefits were paid to Directors.

5. Staff costs

	<i>2016</i>	<i>2015</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	9,670	8,814
Social security costs	697	619
Other pension costs	132	120
	<u>10,499</u>	<u>9,553</u>

The average monthly number of employees during the year was as follow:

	<i>2016</i>	<i>2015</i>
	<i>No.</i>	<i>No.</i>
Rooms	102	102
Food and beverage	112	100
Other sales	0	4
Administration	70	69
Services	19	14
	<u>304</u>	<u>245</u>

6. Finance income

	<i>2016</i>	<i>2015</i>
	<i>£000</i>	<i>£000</i>
Interest income on short - term bank deposits	6	12
Interest income on loans to related parties	44	0
	<u>50</u>	<u>12</u>

7. Finance cost

	<i>2016</i>	<i>2015</i>
	<i>£000</i>	<i>£000</i>
Interest expense on bank loans and overdrafts	16	0
Interest on taxes and other financial expenses	15	1
	<u>31</u>	<u>1</u>

Notes to the financial statements

for the year ended 31 December 2016

8. Income tax expense

(a) Tax on profit on ordinary activities	2016	2015
	£000	£000
<i>Current tax:</i>		
UK Corporation tax	638	1,297
Adjustment to previous years	32	(214)
Total current tax (note 8(b))	670	1,083
<i>Deferred tax:</i>		
Origination and reversal of timing differences	112	(646)
Total tax charge	782	437

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher (2014: higher) than the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%).

The differences are reconciled below:

	2016	2015
	£000	£000
Profit on ordinary activities before tax	3,748	4,794
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 20.00% (2015 - 20.25%)	750	971
<i>Effect of:</i>		
Expenses not deductible for tax purposes	(2)	569
Capital allowances less than depreciation	(102)	(261)
Other timing differences	(8)	18
Adjustment to previous years	32	(214)
Origination and reversal of timing differences	112	(646)
Total tax charge	782	437

Factors that may affect future tax charges

The standard rate of UK Corporation Tax was reduced from 21% to 20% from 1 April 2015. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 20%.

Notes to the financial statements

for the year ended 31 December 2016

9. Deferred taxation

	2016 £000 Provided	2015 £000 Provided
Capital allowance in excess of depreciation	(167)	(67)
Other timing differences	13	25
Deferred taxation liability	<u>(154)</u>	<u>(42)</u>

The movement in deferred taxation during the current year is as follows.

	Deferred tax £000
As at 1 January 2016	42
Deferred tax charged in the income statement	112
As at 31 December 2016	<u>154</u>

10. Intangible assets

	Goodwill £000	Other intangible assets £000	Total £000
Cost:			
At 1 January 2016	380	0	380
Additions	0	0	0
Disposals	0	0	0
At 31 December 2016	<u>380</u>	<u>0</u>	<u>380</u>
Accumulated Amortisation:			
At 1 January 2016	0	0	0
Charged during the year	0	0	0
At 31 December 2016	<u>0</u>	<u>0</u>	<u>0</u>
Net book value:			
At 31 December 2016	<u>380</u>	<u>0</u>	<u>380</u>
At 31 December 2015	<u>380</u>	<u>0</u>	<u>380</u>

Goodwill is annually tested for impairment.

The goodwill recorded at the end of the year has been assessed and no impairment was recorded.

Notes to the financial statements

for the year ended 31 December 2016

The impairment test involves comparing the current value of the Hotel as a cash generating unit to which the goodwill was allocated to their recoverable amounts. The recoverable amount of the Hotel as a cash generating unit is based on value in use calculations. An impairment loss is recognised when the carrying value of those assets exceeds their recoverable amount.

11. Property, plant and equipment

	<i>Represented Leasehold land and buildings £000</i>	<i>Represented Fixtures and fittings £000</i>	<i>Total £000</i>
Cost:			
At 1 January 2016	60,898	20,332	81,230
Additions	128	278	405
At 31 December 2016	61,027	20,610	81,636
Depreciation:			
At 1 January 2016	30,268	15,283	45,551
Charged during the year	1,731	1,160	2,891
At 31 December 2016	31,999	16,442	48,441
Net book value:			
At 31 December 2016	29,028	4,168	33,196
At 1 January 2016	30,630	5,049	35,679

12. Inventories

	<i>2016 £000</i>	<i>2015 £000</i>
Raw materials and consumables	659	619

The difference between purchase price of inventories and their replacement cost is not material.

The income statement charge to cost of sales for the year was £2,278k (2015: £1,993k).

Notes to the financial statements

for the year ended 31 December 2016

13. Trade and other receivables

	2016	2015
	£000	£000
Trade receivables	618	1,444
Amounts owed by group company	1,608	954
Other receivables	87	135
Prepayments and accrued income	1,081	533
Rent deposit	<u>502</u>	<u>502</u>
	<u>3,897</u>	<u>3,568</u>

Amounts owed by group companies (excluding the intercompany credit line) are unsecured, interest free and have no fixed terms of repayments.

The Company policy is to provide for any debt which is over one year old, excluding intercompany balances. In addition, the specific provision is provided for doubtful receivables.

	2016	2015	Change
	£000	£000	£000
Total provision	<u>347</u>	<u>403</u>	<u>(56)</u>

In 2016 the Company achieved average recovery period ratio of 58 days (2015: 72 days). As at 31 December 2016 the 37% (2015: 31%) of outstanding balances was related to current debt (up to 30 days), 27% (2015: 24%) between 30 and 60 days and 10% (2015: 5%) between 60 and 90 days. The debts over 90 days were mostly related to the doubtful receivables and intercompany debt as specified above and therefore there are no significant unimpaired old receivable balances (15% between 90 – 365 days and 10% over 365 days).

14. Trade and other payables

	2016	2015
	£000	£000
Trade payables	1,124	1,329
Amounts owed to group undertakings	6,562	3,134
Other taxes and social security costs	1,139	1,146
Other payables	130	198
Deferred and unearned revenue	3,301	3,306
Accruals	<u>3,936</u>	<u>3,582</u>
	<u>16,192</u>	<u>12,696</u>

Amounts owed to group companies are unsecured, interest free and have no fixed terms of repayments.

Notes to the financial statements

for the year ended 31 December 2016

15. Borrowings

	<i>2016</i>	<i>2015</i>
	<i>£000</i>	<i>£000</i>
Unsecured EURO 508.860,17 loan repayable in annual instalments from Dry Martini GOP which commenced 24 December 2015	392	376
Less: included in creditors: amounts falling due within one year	<u>0</u>	<u>0</u>
	<u>392</u>	<u>376</u>

	<i>2016</i>	<i>2015</i>
	<i>£000</i>	<i>£000</i>
Amounts repayable:		
In one year or less, or on demand	17	0
In more than one year but not more than two years	0	0
In more than two years but not more than five years	<u>375</u>	<u>376</u>
	392	376
In more than five years	<u>0</u>	<u>0</u>
	<u>392</u>	<u>376</u>

16. Called up share capital

	<i>Authorised</i>	
	<i>2016</i>	<i>2015</i>
	<i>No.</i>	<i>No.</i>
Authorised		
Ordinary shares of £1 each	<u>32,300,100</u>	<u>32,300,100</u>
	<i>Allotted, called up and fully paid</i>	
	<i>2016</i>	<i>2015</i>
	<i>No.</i>	<i>No.</i>
Allotted, called up and fully paid	<u>30,931,328</u>	<u>30,931,328</u>

Notes to the financial statements

for the year ended 31 December 2016

17. Reserves

		<i>Called up share capital</i> £000	<i>Retained earnings</i> £000	<i>Total equity</i> £000
At 1 January 2016	17	30,931	5,015	35,946
Dividends paid			(4,340)	(4,340)
Profit for the financial year			2,967	2,967
At 31 December 2016	17	<u>30,931</u>	<u>3,642</u>	<u>34,573</u>

18. Reconciliation of movements in shareholders' funds and movements on reserves

	<i>2016</i> £000	<i>2015</i> £000
Profit for the financial year	<u>2,967</u>	<u>4,357</u>
Net addition to shareholders' funds	<u>2,967</u>	<u>4,357</u>
	35,946	36,589
Opening shareholders' funds	<u>(4,340)</u>	<u>(5,000)</u>
Closing shareholders' funds	<u>34,573</u>	<u>35,946</u>

19. Notes to the statement of cash flow

	<i>2016</i> £000	<i>2015</i> £000
Profit before tax	3,748	4,794
Finance cost	31	1
Finance income	(50)	(12)
Depreciation	2,890	2,892
Asset disposal charged to P&L	0	35
Decrease / (Increase) in trade and other receivables	(328)	234
Decrease / (Increase) in inventories	(40)	(117)
(Decrease) / Increase in trade and other payables	<u>3,496</u>	<u>7,429</u>
Net cash flow from continuing operating activities	<u>9,747</u>	<u>15,256</u>

Notes to the financial statements

for the year ended 31 December 2016

20. Reconciliation of net cash flow to movement in net debt

	<i>2016</i>	<i>2015</i>
	<i>£000</i>	<i>£000</i>
Increase / (decrease) in cash in the period	3,705	4,286
Cash used to repay loans	<u>0</u>	<u>0</u>
Change in net debt resulting from cash flow	<u>3,705</u>	<u>4,286</u>
Movement in net debt	3,705	4,286
Net debt at 1 January	<u>9,111</u>	<u>4,825</u>
Net debt at 31 December	<u><u>12,816</u></u>	<u><u>9,111</u></u>

21. Analysis of net debt

	<i>31</i>		<i>31</i>
	<i>December</i>	<i>Cash flows</i>	<i>December</i>
	<i>2015</i>		<i>2016</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cash at bank and in hand	9,111	3,705	<u>12,816</u>
Debt due in one year	0	(17)	<u>(17)</u>
Debt due after one year	0	(375)	<u>(375)</u>
	<u>9,111</u>	<u>3,313</u>	<u><u>12,424</u></u>

22. Pension commitments

Since April 2014, due to the change of the legislation the company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

23. Other financial commitments

	<i>2016</i>	<i>2015</i>
	<i>£000</i>	<i>£000</i>
	Property continuing operations	Property continuing operations
	£	£
Total commitments under non-cancellable operating leases expiring:		
Within one year	-	-
Within two to five years	-	-
After five years	<u>45,846</u>	<u>45,991</u>
	<u><u>45,846</u></u>	<u><u>45,991</u></u>

Notes to the financial statements

for the year ended 31 December 2016

24. Financial risk management

The Company's activities expose it to a variety of financial risks, including:

- Interest rate risk - the risk that the floating cost of borrowing will increase subject to movements in prevailing interest rates.

The principal borrowings of the Company are payable to another Group undertaking and are interest-free. The Company is free of the debt. Therefore the interest risk exposure of the Company is not considered significant.

- Foreign currency exchange risk – risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The foreign currency exchange risk is very limited. The majority of the transactions of the Company are in a pound sterling. There are only a few suppliers (mostly intercompany) which will be paid in different currency.

- Price risk – risk that price of service fluctuates and gives uncertainty on revenue flows.
The Company has long-term contracts with a number of customers and suppliers across the world. As a consequence, the directors believe that the company is well placed to manage its business risk successfully.

- Liquidity risk (funding risk) – risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments.

At 31 December 2016 the Company had financial liabilities of £16,220k (2015: £13,369k).

At 31 December 2016 the Company had £12,816k of cash (2015: 9,111k) which is more than sufficient to meet the ongoing cash requirements of the business.

The directors are expecting an increase in cash in 2017 due to improved trading in the Meliá White House Hotel and Inside Manchester, maintaining cost levels, payment of outstanding debts and offsetting the cost of refurbishment of the Meliá White House Apartments and communal areas.

After reviewing company cash balances, borrowing facilities and projected cash flows, the directors believe that the company has adequate resources to continue operations for the foreseeable future as a going concern.

- Capital risk - The Company's principal objective when managing capital is to safeguard the Company's ability to provide returns for shareholders and benefits for other stakeholders.

Notes to the financial statements

for the year ended 31 December 2016

25. Related party transactions

The following relevant related party transactions are included in the financial statements. The balances are included in the notes 13 and 14.

<i>Related Party</i>	<i>Description of the operation</i>	<i>Receivables</i>	<i>Payables</i>
ADPROTEL STRAND, S.L.	commercial	£72,000	£0
HOTEL ALEXANDER SAS	commercial	£3,115	£0
IDISO HOTEL DISTRIBUTION, S. A.	commercial	£3,214	£0
IRTON COMPANY N.V.	rental agreement	£0	£43,500
LONDON XXI, Ltd	commercial	£60,578	£0
MELIA HOTELS INTERNATIONAL UK LTD	commercial	£839	£0
MELIA HOTELS INTERNATIONAL, S.A.	commercial	£0	£2,055,761
PRODIGIOS INTERACTIVOS S.A	commercial	£0	£3,016,349
SOL GROUP CORPORATION	commercial	£2,859	£0
SOL MELIA DEUTSCHLAND GMBH	commercial	£3,634	£0
SOL MELIA GREECE	commercial	£1,337	£0
SOL MELIA ITALIA, S.R.L.	commercial	£6,636	£0
SOL MELIA VACATION NETWORK ESPAÑA S	commercial	£2,416	£0
SOL MELIA VACATION NETWORK S.A.R.L.	commercial	£5,843	£0
Total outstanding		£162,471	£5,115,610

Key management compensation is presented below:

	<i>2016</i>	<i>2015</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	280	273
Social security costs	37	34
Other pension costs	10	8
	326	315

26. Ultimate parent undertaking and controlling party

In December 2015 Melia Hotels International S.A. sold its shares in Lomondo Ltd to Melia Hotels International UK Ltd.

Melia Hotels International UK Ltd is a new UK holding company, which first financial statement will be available for the year ended 31 December 2016.

Melia Hotels International UK Ltd is whole owned by Melia Hotels International S.A..

The consolidated financial statements of Meliá Hotels International S.A. are available from the offices of Public Mercantile Register in Palma de Mallorca (Spain).