

Venice (St David's) Hotel Limited

Report and Financial Statements

31 December 2014

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Venice (St David's) Hotel Limited

Report and financial statements 2014

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Venice (St David's) Hotel Limited

Report and financial statements 2014

Officers and professional advisers

Directors

A Troy
G S Hunter
G J Gallagher
J A Burrell

Registered office

The Inspire
Hornbeam Park
Harrogate
North Yorkshire
HG2 8PA

Bankers

Barclays Bank plc

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds
United Kingdom

Venice (St David's) Hotel Limited

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Group Chief Executive's Report

2014 – Another Transformational Year

In February 2013 the Principal Hayley Group was acquired by funds managed by Starwood Capital Group (referred to throughout the remainder of the Report and Financial Statements as "Starwood"). Starwood is a private, U.S. based investment firm with a core focus on global real estate. As at 31 March 2015, since its inception in 1991 Starwood has raised nearly \$31 billion of equity capital and currently has more than \$42 billion of assets under management.

During the first quarter of 2014 Starwood acquired two further UK hotel and conference centre businesses, namely De Vere Venues and Four Pillars Hotels. These acquisitions significantly expanded Starwood's ownership of attractive and well located assets in the UK and increased their total investment in the UK hospitality sector to approximately £700m.

During the remainder of 2014, Starwood integrated the three UK hotel groups under one operating platform and management team, led by Principal Hayley CEO, Tony Troy. Together, the businesses represent one of the largest independently owned hotel and conference centre groups in the UK.

In December 2014, Principal Hotels Topco 1 Limited was established as a common UK parent company for Principal Hayley, De Vere Venues and Four Pillars Hotels (together "the Combined Group"). This common ownership allows for greater operational synergies and future flexibility in potential financing options.

In addition to the above, separate funds managed by Starwood have acquired The Roxburghe and The Bonham Hotels in Edinburgh and The Blythswood Square Hotel in Glasgow. These hotels were acquired outside the Combined Group ownership. However, they are managed by Principal Hayley.

2014 Review

Introduction

The results for the Combined Group reported in the Principal Hotels Topco 1 Limited consolidated Profit and Loss Account are only those of Principal Hayley, De Vere Venues and Four Pillars from the date of acquisition by Starwood. In order to present a more informed review of the trading performance of the Combined Group, the Profit and Loss Account results referred to in this 2014 review are those for the whole of 2014 compared with the whole of 2013.

Combined Group Overview

	2014	2013	Growth
Combined Group Key Financial measures			
Revenues	<u>£328.2m</u>	<u>£310.8m</u>	<u>+5.6%</u>
EBITDAR	<u>£94.8m</u>	<u>£88.8m</u>	<u>+6.8%</u>

In 2014, with Starwood's guidance and support, the Combined Group has continued to go from strength to strength. Revenues of £328.2m and earnings before interest, tax, depreciation, amortisation, rent and exceptional and non-recurring items ("EBITDAR") of £94.8m grew by 5.6% and 6.8% respectively.

The Combined Group balance sheet is strong with cash in hand balances of £71.9m at 31 December 2014 and external bank debt of £415.9m. The annualised interest expense on the £415.9m of bank debt, based on the prevailing interest rates at the balance sheet date, was £13.9m which is covered 5.9 times by the 2014 EBITDA.

The Combined Group has committed capital expenditure facilities from its banks of £90.8m which were undrawn at 31 December 2014. During 2015 and 2016 a combination of the Combined Group's cash balances and these facilities will be used to fund the redevelopment of key city centre properties, such as The Russell in London, The George in Edinburgh and The Royal York in York.

Venice (St David's) Hotel Limited

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Group Chief Executive's Report

2014 Review (*Continued*)

Principal Hayley Group

2014 saw the UK hotel and conference centre industry's recovery continue. Against this backdrop, Principal Hayley again performed very well in both City centre properties and the Provinces.

The key Principal Hayley statistics were as follows:

	2014	2013	Growth
Accommodation			
Occupancy %	72.1%	69.4%	
Average Room Rate (£)	£86.40	£83.42	+3.6%
Revenue per Available Room (£)	£62.29	£57.89	+7.6%
	<hr/>	<hr/>	<hr/>
	£m	£m	
Total Revenues			
UK Hotels and Conference Centres	165.4	154.6	+6.9%
Management fee income	0.2	0.4	-45.1%
Chateau Saint-Just, France	6.1	6.3	-3.9%
	<hr/>	<hr/>	<hr/>
Total	171.7	161.3	+6.3%

London

In London, the Hotel Russell and the Grand Connaught Rooms increased revenues by 6.9% to £32.8m, through growth in both demand and rates achieved. In comparison HotStats reported market growth in Total Revenue per Available Room ("TrevPar") for 2014 of 2.8% for London.

Provinces

The UK Provincial hotels and venues have continued to perform well and increased revenues by 6.5% to £132.5m. Occupancy increased by 2.7 percentage points to 70.4% and ARR increased by 4.2% to £80.18 giving total RevPAR growth of 8.2%.

In particular, The Grand Central Hotel in Glasgow performed very well in 2014 benefiting from an additional 46 bedrooms which were refurbished and opened during the year in time for the Commonwealth Games in the summer.

Total Provinces revenue growth of £8.1m (+6.5%) outperformed the results for the marketplace as a whole. HotStats reported market growth in TrevPar for the Provinces for 2014 of 6.3%.

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Group Chief Executive's Report

2014 Review (*Continued*)

De Vere Venues Group

De Vere Venues is a leading provider of training, meeting and conference space at 22 owned and leased Venues and at other properties under management contract arrangements. The UK training, meeting and conference market continued to recover during 2014, albeit at a slower rate than the UK hotels market. Accommodation revenues grew strongly but growth in room hire and other Venues revenues was less strong giving an overall revenue growth of 3.4%.

Additionally, a decision was taken to withdraw from a number of management contract arrangements leading to a reduction in related revenues compared with the prior year.

The key De Vere Venues revenue statistics were as follows:

	2014	2013	Growth
Accommodation			
Occupancy %	75.3%	74.1%	
Average Room Rate (£)	£58.48	£56.11	+4.2%
Revenue per Available Room (£)	£44.01	£41.60	+5.8%
	<hr/>	<hr/>	<hr/>
	£m	£m	
Total Revenues			
Owned and leased Venues	117.6	113.7	+3.4%
Management contracts and other revenues	2.3	2.4	-4.7%
	<hr/>	<hr/>	<hr/>
Total	119.9	116.1	+3.2%

Four Pillars Group

The Four Pillars portfolio comprises five hotels in Oxfordshire and Gloucestershire. The hotels performed very well in 2014 growing revenue by 9.8% to £36.6m and each hotel increased its RevPAR compared with 2013.

The key Four Pillars revenue statistics were as follows:

	2014	2013	Growth
Accommodation			
Occupancy %	75.1%	70.8%	
Average Room Rate (£)	£75.64	£72.69	+4.1%
Revenue per Available Room (£)	£56.84	£51.47	+10.4%
	<hr/>	<hr/>	<hr/>
	£m	£m	
Total Revenues			
Hotels and Conference Centres	36.5	33.3	+9.8%
Management fee income	0.1	0.1	
	<hr/>	<hr/>	<hr/>
Total	36.6	33.4	+9.8%

Venice (St David's) Hotel Limited

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2014 Review (*Continued*)

Our People

Throughout what was a potentially unsettling period during 2014 with the acquisition of De Vere Venues and Four Pillars by Starwood, our staff have once again remained focussed on delivering exceptional customer service and improving our brands through our strong customer service strategy 'Quality Wins'.

As in 2013, I would like to place on record the Board's thanks to all our staff for their hard work both in 2014 and continuing on into 2015.

Our Commitment to the Community

Our Corporate Social Responsibility commitment continues to be an important core value which each of our properties embrace in a variety of ways. Each property supports a different local charity each year chosen by its staff. The total raised in 2014 was in excess of £100,000 with fund raising activities ranging from cake bake days to sponsored walks and organising a Black tie ball.

Involvement in the local community is always actively encouraged, for example the 'Green Team' at The George Hotel which spent a day clearing a coastal path to allow public access and protect local wild flowers, Ettington Chase sponsored a new 'First Responder' website for their local community and Horwood House sponsored a training day in liaison with the Community police.

At the Group level we are proud to support The Willow Foundation which provides terminally ill young adults the opportunity to enjoy special days with their families. The Group donated over 200 bedrooms in 2014 so these young adults could be treated like VIP's at our hotels and enjoy a memorable activity or event of their choice. The Group has also sponsored several banqueting events to help raise awareness and much needed funds for the Foundation.

About Principal Hayley, De Vere Venues and Four Pillars

Principal Hayley

Principal Hayley is a leading upscale Conference, Training and Events led group at the following City Centre and Country locations:

City Centre

Grand Connaught Rooms, Central London
Hotel Russell, Central London

The Grand Central Hotel, Glasgow
The Met, Leeds

St David's Hotel & Spa, Cardiff
The George Hotel, Edinburgh

The Palace Hotel, Manchester
The Royal York Hotel & Events Centre, York

Country Conference

Alexandra House, Swindon
Beaumont House, Windsor
Chateau Saint Just, Paris
Cranage Hall, Cheshire
Eastwood Hall, Nottingham
Ettington Chase, Stratford-upon-Avon
Hawkstone Park Hotel & Golf Club, Shrewsbury

Horwood House, Milton Keynes
Kenwood Hall, Sheffield
Sedgebrook Hall, Northampton
Selsdon Park Hotel & Golf Club, Croydon
The Derbyshire, Derby
The St Johns Hotel, Solihull
Wotton House, Dorking

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About Principal Hayley, De Vere Venues and Four Pillars (*continued*)

Four Pillars

Four Pillars is a collection of five Hotels in Oxfordshire and Gloucestershire at the following locations:

Cotswold Water Park, Cirencester
Oxford Spires Hotel, Oxford
Oxford Thames Hotel, Oxford

Oxford Witney Hotel, Oxford
Tortworth Court Hotel, Wotton-under-Edge

De Vere Venues

De Vere Venues is the UK's leading provider of training, meeting and conference space at the following locations:

Owned and Leased

Canary Wharf, London
Cheadle House, Manchester
Colmore Gate, Birmingham
Denham Grove, Uxbridge
Gorse Hill, Woking
Harben House, Milton Keynes
Hartsfield Manor, Dorking
Highfield Park, Hook
Holborn Bars, London
Horsley Park, Surrey
Hunton Park, Watford

Latimer Place, Chesham
Milton Hill House, Oxford
New Place, Southampton
Staverton Park, Daventry
Sunningdale Park, Ascot
Theobalds Park, Cheshunt
Warbrook House, Hampshire
West One, London
Wokefield Park, Reading
Wychwood Park, Crewe

Franchises, Management Contracts and Licences to Operate

Brigade, London
Chicheley Hall, Milton Keynes
Devonport House, London

East Midlands Conference Centre, Nottingham
Ponsbourne Park, Hertfordshire
Heythrop Park, Chipping Norton

2015 Outlook

Revenues

2015 has started well for the Combined Group, continuing the excellent progress made during 2014. Group revenues for the three months to 31 March grew in each of the Principal Hayley, De Vere Venues and Four Pillars Groups by a total of 3.7% compared with 2014. This is particularly pleasing, given the impact of disruption from capex works that have commenced in certain of our City assets.

Development

During the course of 2015, we are planning to undertake substantial redevelopment capex at a number of our key City Centre properties, including The George Edinburgh, The Royal York, The Palace Manchester, The Met Leeds and The Russell London. These will be transformational investments, re-positioning our iconic "grande-dame" properties for future growth.

We are also undertaking a refurbishment programme at St David's Hotel, Cardiff, as well as ongoing investment into our Country Conference portfolio.

Venice (St David's) Hotel Limited

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Group Chief Executive's Report

Conclusion

The economic outlook in the UK has improved over the past year and our trading performance in 2014 and year to date 2015 reflects this. We remain cautiously optimistic about trading in the remainder of 2015.

Since its acquisition of Principal Hayley, De Vere Venues and Four Pillars, Starwood has demonstrated its core competence in creating value in the hospitality sector and we will continue to benefit from the involvement of this well respected shareholder.

Tony Troy
Group Chief Executive Officer
24 June 2015

Venice (St David's) Hotel Limited

Strategic report

Principal Activities of the Company

The principal activity of the Company is the operation of the St David's hotel in Cardiff.

Group Business Review

The Company is a member of the group headed by Principal Hotels Topco 1 Limited ("the Group"). A review of the Group's results and future prospects, which include those of the Company, is set out in the Group Chief Executive's Report.

Company Business Review

During the year ended 31 December 2014, the Company's revenue increased as a result of the improved trading conditions. The directors anticipate that in 2015 trading conditions will continue to improve and remain optimistic regarding the long term prospects of the Company.

The Group's key measurement of effectiveness of its operations is operating profit before depreciation and amortisation, rent payable and exceptional or non-recurring items ("EBITDAR"). The Company achieved an EBITDAR of £2,672,000 (2013: £2,502,000).

The Company's earnings for the year have been retained and, together with the effects of capital expenditure and movements on working capital balances, this has led to an increase in net year end cash balances from £395,000 to £464,000.

Financial risk management objectives and policies

Financial risk management objectives and policies are managed on a unified basis for the Group.

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk, liquidity risk and price risk. The use of financial derivatives to manage risks is subject to Board approval and no financial derivatives are used for speculative purposes.

Cash flow risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. These risks are small in the context of the Company's operations and therefore it does not use financial instruments to manage its exposure to them due to cost benefit considerations.

Credit risk

The Company's principal financial assets are bank balances and cash, and trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparty is Barclays Bank plc, a UK bank with a good credit rating.

The Company has no significant concentration of credit risk other than receivable balances with members of the Group. The exposure on other receivable balances is spread over a large number of counterparties and customers.

Liquidity Risk

The Group uses a mixture of long term shareholder debt and bank debt in order to maintain liquidity and to ensure that sufficient funds are available for ongoing operations and future development. At 31 December 2014 the vast majority of the Group's bank debt was, subject to compliance with normal banking covenants, not due for repayment or renewal until dates between March 2017 and March 2019.

Venice (St David's) Hotel Limited

Strategic report

Price Risk

The Company is exposed to commodity price risk, particularly in relation to energy costs. The Company manages its exposure to energy costs price risks by using fixed rate contracts, where appropriate, to ensure certainty of costs.

Going Concern basis of accounts preparation

Within the Group there are three separate sub-groups with their own banking facilities. The Company is a member of the Principal Hayley sub-group of companies headed by Rome Investco Ltd (the "Principal Hayley Group"). Throughout the year ended 31 December 2014 the Company received all necessary financial support from other companies within the Principal Hayley Group to operate as a going concern.

The directors have considered the future trading prospects of the Principal Hayley Group including its detailed trading and cash flow projections which include growth in its established businesses. The projections show that for a period of not less than 12 months from the date of approval of these accounts the Principal Hayley Group has sufficient operational facilities in place. Further, Rome Investco Ltd has confirmed that it will continue to provide financial support to the Company for a period of not less than 12 months from the date of approval of these accounts.

Accordingly, the directors continue to be satisfied that adopting the going concern basis in preparing the annual report and accounts for the Company, as a member of the Principal Hayley Group, is appropriate.

Approved by the Board of Directors
and signed on behalf of the Board



J A Burrell
Director
24 June 2015

Venice (St David's) Hotel Limited

Directors' report

The directors present their annual report and the audited financial statements for year ended 31 December 2014.

Going Concern and Financial risk management objectives and policies

The directors set out in the Strategic Report

- the reasoning for the adoption of the going concern basis in preparing the annual report and accounts for the Company; and
- the financial risk management objectives and policies of the Company.

Dividends

No dividends were paid during the financial year (2013: £nil). The directors do not propose to pay a final dividend (2013: £nil).

Political contributions

There were no donations made to political parties (2013: £nil).

Directors

The directors who held office during the year and subsequent to the balance sheet date were:

A Troy	
M E Bennison	(resigned 31 January 2014)
G S Hunter	
G J Gallagher	(appointed 31 January 2014)
J A Burrell	(appointed 10 November 2014)

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

Employees

The Group is an equal opportunity employer and makes every effort to ensure disabled people are not discriminated against on the grounds of their disability. In the event of staff becoming disabled every effort would be made to ensure that their employment continues and that training is arranged.

Employees are kept informed regarding the Group's affairs and are consulted on a regular basis wherever feasible and appropriate.

Disclosure of relevant 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 to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

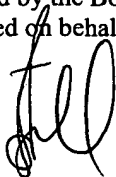
Venice (St David's) Hotel Limited

Directors' report

Auditor

A resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'J A Burrell', written over the text 'and signed on behalf of the Board'.

J A Burrell
Director
24 June 2015

Venice (St David's) Hotel Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 Venice (St David's) Hotel Limited

We have audited the financial statements of Venice (St David's) Hotel Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. 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).

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 2014 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 the 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 Venice (St David's) Hotel 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.

D.M.

David M Johnson BA FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom

27 June 2015

Venice (St David's) Hotel Limited

Profit and loss account Year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Turnover	1	9,121	8,538
Cost of sales		(4,136)	(3,923)
Gross profit		4,985	4,615
Administrative expenses		(2,795)	(2,668)
Operating profit before depreciation and amortisation		2,672	2,502
Depreciation and amortisation		(482)	(555)
Profit / (loss) on ordinary activities before taxation		2,190	1,947
Profit / (loss) on ordinary activities before taxation	2	2,190	1,947
Tax on profit / (loss) on ordinary activities	4	244	-
Retained profit / (loss) for the financial year	11	2,434	1,947

There are no recognised gains or losses other than the results shown in the profit and loss account above. Accordingly, no statement of total recognised gains and losses is given.

All amounts relate to continuing activities.

Venice (St David's) Hotel Limited

Balance sheet 31 December 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	5	22,777	22,786
		<u>22,777</u>	<u>22,786</u>
Current assets			
Stocks		196	118
Debtors	6	15,863	13,573
Cash at bank and in hand		464	395
		<u>16,523</u>	<u>14,086</u>
Creditors: amounts falling due within one year	8	(3,111)	(30,177)
Net current assets / (liabilities)		<u>13,412</u>	<u>(16,091)</u>
Total assets less current liabilities		36,189	6,695
Creditors: amounts falling due after more than one year	9	(4,951)	(5,010)
Net assets / (liabilities)		<u>31,238</u>	<u>1,685</u>
Capital and reserves			
Called up share capital	10	11,000	11,000
Profit and loss account	11	20,238	(9,315)
Equity shareholders' funds / (deficit)	12	<u>31,238</u>	<u>1,685</u>

The financial statements of Venice (St David's) Hotel Limited, company number 3299012, have been approved and authorised for issue by the Board of Directors.



Signed on behalf of the Board of Directors

J A Burrell, Director

24 June 2015

Venice (St David's) Hotel Limited

Notes to the accounts

Year ended 31 December 2014

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year except in respect of the presentation of supplier rebates.

Basis of accounting

The accounts have been prepared under the historical cost convention, and in accordance with applicable United Kingdom accounting standards and law.

Going Concern

The accounts have been prepared on a going concern basis. Further details regarding the adoption of the going concern basis can be found in the Strategic Report.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset on a straight line basis over its expected useful life as follows:

Leasehold land and buildings	50 years or the unexpired portion of the lease if shorter
Plant, equipment and vehicles	3 to 10 years as appropriate to the asset
Working replacements	3 years

Stocks

Stocks comprise food and beverages for resale and are stated at the lower of cost and net realisable value. Provisions are made for obsolete or slow-moving items where appropriate.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profit and its results stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured on a non-discounted basis.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Government grants

Grants relating to depreciable tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned.

Turnover

Turnover represents amounts receivable for accommodation, food and beverage sales and ancillary hotel services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover is recognised at the point at which goods and services are delivered to the customer.

All turnover arises in the United Kingdom and derives from a single business segment.

Venice (St David's) Hotel Limited

Notes to the accounts

Year ended 31 December 2014

1 ACCOUNTING POLICIES (CONTINUED)

Leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pension costs

The Company operates a defined contribution pension scheme for qualifying employees. The amounts charged to the profit and loss account are the contributions payable for the period. Differences between contributions payable and contributions paid are included as either accruals or prepayments in the balance sheet.

Cash flow statement

Under the provisions of FRS 1 (revised): Cash Flow Statements, the Company has not prepared a cash flow statement because its ultimate UK parent company, Principal Hotels Topco 1 Limited, prepares consolidated accounts which include the cash flows of the Company.

Supplier rebates

Supplier rebates of £421,000 (2013: £396,000) in respect of food and beverage purchases are credited against cost of sales whereas in previous years they were included as a credit within administrative expenses. The directors have adopted this revised presentation to better reflect the nature of the rebates and the comparative figures in the profit and loss account have been restated accordingly with no effect on operating profit.

Venice (St David's) Hotel Limited

Notes to the accounts Year ended 31 December 2014

2. PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2014 £'000	2013 £'000
Profit /(loss) on ordinary activities before taxation is stated after charging / (crediting):		
Depreciation	541	614
Amortisation of government grants	(59)	(59)
Auditor's remuneration - audit services	7	10
	<u> </u>	<u> </u>

3. STAFF COSTS

	2014	2013
The average monthly number of employees during the year was:		
Administration	16	15
Sales	2	3
Operational	186	174
	<u> </u>	<u> </u>
Total employees	204	191
	<u> </u>	<u> </u>
	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	2,579	2,385
Social security costs	173	160
Pension costs	30	17
	<u> </u>	<u> </u>
Total remuneration	2,782	2,562
	<u> </u>	<u> </u>

The directors received no remuneration in respect of services to the Company during the year (2013 - £nil). The directors are remunerated by Principal Hayley Limited, a fellow Group company, and it is not practicable to allocate a proportion of those costs to the Company.

Venice (St David's) Hotel Limited

Notes to the accounts

Year ended 31 December 2014

4. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES

	2014 £'000	2013 £'000
The tax charge for the year comprises:		
Current tax		
UK corporation tax on the profit / (loss) for the year	-	-
Total current tax charge	-	-
Deferred tax		
Origination and reversal of timing differences	(244)	-
Total deferred tax charge / (credit)	(244)	-
Total tax charge / (credit)	(244)	-

The difference between the total current tax shown and the amount calculated by applying the standard rate of UK corporation tax to the result before tax is as follows:

	2014 £'000	2013 £'000
Profit / (loss) on ordinary activities before taxation	2,190	1,947
Tax at standard UK rate of 21.49% (2013: 23.25%)	471	453
Effects of:		
Capital allowances less than / (in excess of) depreciation	67	102
Expenses not deductible for tax purposes	26	12
Other amounts deductible for tax purposes	(235)	(264)
Movements in short term timing differences	1	-
Group relief surrendered for nil consideration	(330)	(230)
Utilisation of tax losses and tax losses carried forward	-	(73)
Current tax charge for the year	-	-

Venice (St David's) Hotel Limited

Notes to the accounts Year ended 31 December 2014

5. TANGIBLE FIXED ASSETS

	Long Leasehold land and buildings £'000	Vehicles, plant and equipment £'000	Total £'000
Cost			
At the beginning of the year	30,751	6,078	36,829
Additions	-	532	532
Disposals	-	(51)	(51)
At the end of the year	30,751	6,559	37,310
Accumulated depreciation			
At the beginning of the year	9,154	4,889	14,043
Charge for the year	79	462	541
Disposals	-	(51)	(51)
At the end of the year	9,233	5,300	14,533
Net book value			
At the end of the year	21,518	1,259	22,777
At the beginning of the year	21,597	1,189	22,786

The Company's fixed assets are charged in favour of the Principal Hayley Group's bankers as security for the Principal Hayley Group's UK borrowings.

Subsequent to the year end the Company purchased the freehold interest in the St David's Hotel and the above long leasehold land and buildings became freehold land and buildings.

6. DEBTORS

	2014 £'000	2013 £'000
Trade debtors	184	317
Amounts owed by group undertakings	15,298	13,095
Other debtors	-	4
Prepayments and accrued income	137	157
Deferred tax (note 7)	244	-
Total debtors	15,863	13,573

Amounts owed by group undertakings have no set repayment date and are interest free.

Venice (St David's) Hotel Limited

Notes to the accounts Year ended 31 December 2014

7. DEFERRED TAXATION

Deferred Tax Assets provided and not provided	2014		2013	
	Provided £'000	Not Provided £'000	Provided £'000	Not Provided £'000
Depreciation in excess of capital allowances	243	425	-	644
Short term timing differences	1	-	-	-
Losses	-	617	-	617
At the end of the year	244	1,042	-	1,261

The Government announced in March 2013 a reduction in the current rate of corporation tax to 20% with effect from 1 April 2015. As this legislation was substantively enacted by 31 December 2014, the impact of the rate change is reflected in deferred tax balances reported in these accounts.

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000	2013 £'000
Trade creditors	587	438
Taxation and social security	341	417
Amounts due to group undertakings	1,548	28,586
Accruals and deferred income	256	365
Other creditors	320	312
Deferred grant income	59	59
Total creditors falling due within one year	3,111	30,177

Amounts due to group undertakings have no set payment date and are interest free.

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2014 £'000	2013 £'000
Deferred grant income	4,951	5,010
Total creditors falling due after more than one year	4,951	5,010

Venice (St David's) Hotel Limited

Notes to the accounts Year ended 31 December 2014

10. CALLED UP SHARE CAPITAL

	2014 £'000	2013 £'000
Allotted, called up and fully paid:		
11,000,050 ordinary shares of £1 each	11,000	11,000
Total share capital	11,000	11,000

11. RESERVES

	Profit and loss account £'000
At the beginning of the year	(9,315)
Retained profit / (loss) for the year	2,434
Capital contribution received	27,119
At the end of the year	20,238

On 2 December 2014 the Company received a capital contribution of £27,119,000 arising on the release of debt payable to fellow Group companies.

12. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2014 £'000	2013 £'000
Profit / (loss) for the financial year	2,434	1,947
Capital contribution received	27,119	-
Net increase / (reduction) to equity shareholders' funds	29,553	1,947
Opening equity shareholders' funds / (deficit)	1,685	(262)
Closing equity shareholders' funds / (deficit)	31,238	1,685

13. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS 8: "Related Party Disclosures" not to disclose transactions with other Group companies.

Venice (St David's) Hotel Limited

Notes to the accounts

Year ended 31 December 2014

14. CONTINGENT LIABILITIES

The Company, together with other Principal Hayley Group companies, has given guarantees to a maximum of £300.0 million over the UK borrowings of Rome Investco Ltd a fellow Group company. At 31 December 2014 the borrowings outstanding covered by this guarantee totalled £218.0 million.

15. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The Company's ultimate parent company and controlling party is SOF-9 Rome Holdings Lux Sarl, a company incorporated in Luxembourg which does not publish consolidated accounts.

The Company's immediate parent company is HCC Properties Limited, a company registered in England and Wales. For the year ended 31 December 2014 the largest and smallest groups in which the Company is consolidated are those headed by Principal Hotels Topco 1 Limited and Rome Investco Ltd respectively, both of which are registered in England and Wales. Copies of the financial statements of HCC Properties Limited and the consolidated financial statements of Principal Hotels Topco 1 Limited and Rome Investco Ltd can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.