Coroin Limited and subsidiaries

Directors' report and
financial statements

Year ended 31 December 2015

Registered number: 05091711

Coroin Limited and Subsidiaries

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Coroin Limited and Subsidiaries

Directors and other information

Directors	Patrick McKillen Shahzad Shahbaz Fady Bakhos Zaki Nasser Zaki Eiguiziri Liam Cunningham
Registered office	41 - 43 Brook Street Mayfair London W1K 4HJ
Auditor	KPMG Chartered Accountants 1 Stokes Place St. Stephen's Green Dublin 2
Bankers	Barclays Bank 1 Churchill Place London E14 5HP Allied Irish Bank (GB) City Office 9 - 10 Angel Court London EC2R 7AB
Solicitors	MacFarlanes LLP 20 Cursitor Street London EC4A 1LT
Registered number	05091711

Directors' report

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

Activities

The principal activity of the Group is the ownership and management of luxury hotels and restaurants in Central London, namely Claridge's, the Connaught and the Berkeley.

Management Company
Maybourne Hotels Limited (Maybourne) provides to the Group a unique operating platform that supports the Group's hotels in key functions by realising synergies in the areas of reservations, revenue management, sales and marketing. Maybourne management is also responsible for brand building, capital investment planning, as well as finance, purchasing, human resources and IT strategy supporting the Groups hotels. The Groups ability to leverage this core functionality acting as one plays an important role in the overall performance of the hotels and the creation of long term competitive advantage in the face of strong competition.

Group Hotels
Claridge's, a timeless art deco jewel in the heart of Mayfair is undergoing a phased renovation of its infrastructure, guest rooms and suites. A robust capital investment plan underpinned by successful management strategies creates the sense of "timeless glamour" for which the hotel is renowned internationally. The Group enjoys a guest loyalty factor that is amongst the highest in the world.
2015 was an exceptional year for the hotel. Average daily rate grew 7.5% on prior year, with EBITDA 16.8% ahead of last year.

The Connaught occupies a prime position in Mayfair on Carlos Place. The hotel continues to achieve recognition as one of London's premier hotels offering exceptional personalised service and 2 Michelin star dining as well as award winning bars. Guests can also enjoy a unique Aman Spa experience. The hotel's performance has been enhanced through the development and nurturing of valuable suites. It was reflected in total revenue line, coming in 2.9% above prior year. Through robust cost containment and efficiencies, the Hotel's EBITDA also exceed last year by 2.9%.

The Berkeley in Knightsbridge has developed the most significant corporate account base in the Group and enjoys a high repeat guest factor. It also houses 2 Michelin star Chef Marcus Wareing's restaurant as well as Pierre Koffmann giving it a high culinary profile. The flagship capital projects in 2015 and prior years, including the creation of the magnificent contemporary "Opus" suite designed by Andre Fu on the 4th floor, the renovation of the hotel's rooftop pool and Spa area, Rob Angell designed guest rooms and suites have contributed to a significant uplift in performance. Average rate grew 1.8% on last year, with EBITDA also 5.4% ahead of prior year.

Business review

The Group in 2015 has delivered robust results mainly due to:

a) Co-ordinated execution of a broad range of management initiatives dealing with operations improvements and a comprehensive set of programs launched locally and internationally, ranging from marketing and branding, to recruitment and purchasing, as well as the focus on developing the Maybourne brand in the UK and Internationally as an additional platform for doing business;

b) The Group has worked hard to stay relevant in the face of new and renovated competitor hotels through the intelligent deployment of capex, experienced and expert management, technology and talent, and retaining control of its distribution.

Directors' report *(continued)*

Business review *(continued)*

The Group's centralised services platform and group operational synergies are a major point of strength and differentiation amongst its competitors and have played a key role in sustaining industry leading performance notwithstanding the significant increase in London's luxury supply of hotel rooms since 2010.

- Turnover for the Group amounted to £160 million *(2014: £153 million);* and average room rate grew by 3.5%
- EBITDA reached the amount of £55.2 million *(2014: £55.3 million).*
- Loss before tax reduced significantly to £1.4 million *(2014: £5.0 million loss).*

Overall, revenue per available room (a key metric in the hotel industry) increased by 3.6%. Strong margins were maintained thanks to a comprehensive purchasing plan, adherence to service and product standards and efficiency initiatives at head office and across Claridge's, Connaught and the Berkeley.

The Group has also developed a diverse geographic business base, targeting premium leisure and corporate guests from international markets. This is a critical component of Maybourne's long term growth plan to balance risk. In 2015, the Group continued to work closely with its existing New York office placing the emphasis on the more mature markets for growth which has proven to be the right move. Incremental investment in the company's new websites has also contributed to the growth from this efficient distribution channel.

The consolidated income statement is shown on page 10.

Dividends

No dividend was paid and no dividend is proposed on ordinary shares *(2014: £nil).*

Review of future prospects

In April 2015 the entire share capital of the company was acquired by Constellation Hotels. The new ownership is determined to enhance, invest and further develop the three iconic hotels, represented by the ongoing development works at The Berkeley and planned development works at Claridge's.

Group management in 2016 will continue to focus on leveraging its strong brands backed by an experienced management team and the execution of a strategic capital investment programme to keep its product relevant to contemporary market demands and customer needs. The delivery of extraordinary experiences to its guests remains the Group's foremost goal to drive loyalty.

The medium term outlook for London is positive. Maybourne management recognises however the potential adverse impact of The United Kingdom leaving the European Union and continued pressure of the increase in the supply of luxury accommodation in London and believes it has the team, strategies and initiatives in place to defend and build on its position effectively.

The directors believe that the worldwide economic and geopolitical events will continue to affect the group hotels trading conditions, but that the hotels are well placed to either address those risks or leverage the opportunities accordingly.

The Group's projections for 2016 forecast increased operating profit and cash flows reflecting increased average room rates and occupancy. The Group holds sufficient working capital to meet its trading obligations.

Directors' report *(continued)*

Directors and their interests

The directors of the company who held office during the period were as follows:

Stephen Alden	Chief Executive Officer - resigned on 3 August 2015
Carole Walker	Finance Director – resigned on 29 February 2016
Patrick McKillen	Non Executive
Rigel Mowatt	Non Executive - resigned on 23 April 2015
Michael Seal	Non Executive – resigned on 23 April 2015
Fady Bakhos	Non Executive – appointed 23 April 2015
Liam Cunningham	Non Executive – appointed 23 April 2015
Zaki Nasser Zaki Eiguiziri	Non Executive – appointed 17 May 2015
Shahzad Shahbaz	Non Executive – appointed 23 April 2015

Details of directors' interests are set out in note 21.

Employees

The group's policy is to give full and fair consideration to the recruitment of disabled persons having regard to their particular aptitudes and abilities. Appropriate training will be arranged for disabled persons. The group's personnel policies ensure that all its employees are made aware, on a regular basis, of the group's policies, programmes and progress.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Creditor payment policy

The payment policy to which the group works is to pay all purchases within thirty days of the end of the month. The payment policy applies to all payments to creditors/suppliers for revenue and capital supplies of goods and services without exception.

Political and charitable contributions

The group made no political contributions during the year *(2014: £Nil)*. Donations to UK charities amounted to £3,371 *(2014: £8,315)*.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG will therefore continue in office.

These financial statements were approved by the Board of Directors on 16 September 2016.

Signed on behalf of the Board of Directors

Liam Cunningham
Director

Coroin Limited and Subsidiaries

Strategic report

The main activity of the Group continues to be the operation of five star hotels in the United Kingdom.

The Group achieved a turnover of £159.8 million in the year ended 31 December 2015 which is an increase of 4.7% on the year ended 31 December 2014.

The Group generated an operating profit before depreciation, amortisation and interest of £55.2 million in the year to 31 December 2015 *(2014: £55.3 million)*.

The key performance indicators for the Group are highlighted in the below table:

	2015	2014
REVPAR £	**503.0**	486.0
Gross profit %	**64.2**	65.4
EBITDA %	**34.5**	36.3

Business risks and uncertainties

The hotel industry's performance is closely aligned to the general economic environment. Therefore, a key risk facing the Group is adverse economic conditions. Coroin Limited has a progressive business model, charging its customers rates that vary depending on levels of demand. This reduces, though does not eliminate, the financial impact arising from such adverse conditions.

Business review

The Group expects 2016 to improve in terms of trading, and is confident that trading will perform above market levels.

By order of the board and signed on its behalf by

Liam Cunningham
Director

16 September 2016

Coroin Limited and Subsidiaries

Statement of directors' responsibilities in respect of the annual report, strategic report, directors report and the financial statements

The directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, 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 group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

By order of the board and signed on its behalf by

Liam Cunningham
Director

16 September 2016

KPMG

KPMG
Audit
1 Stokes Place
St. Stephen's Green
Dublin 2
D02 DE03
Ireland

Independent auditor's report to the members of Coroin Limited and subsidiaries

We have audited the group and parent company financial statements ("the financial statements") of Coroin Limited for the year ended 31 December 2015 set out on pages 10 to 67. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

2 Opinion on other matters 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.

3 Matters on which we are required to report by exception

Under ISAs (UK & Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

KPMG

Independent auditor's report to the members of Coroin Limited and subsidiaries *(continued)*

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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 ISAs (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) 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 Group and 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.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

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.

Laura Gallagher
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

16 September 2016

Coroin Limited and Subsidiaries

Consolidated income statement
for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Continuing operations			
Revenue	3	**159,765**	152,565
Cost of sales		**(57,251)**	(52,829)
Gross profit		**102,514**	99,736
Administrative expenses		**(47,338)**	(44,425)
Depreciation and amortisation	9,10	**(9,472)**	(8,162)
Operating profit	5	**45,704**	47,149
Finance income		**44**	207
Finance costs		**(47,176)**	(52,395)
Net finance costs	6	**(47,132)**	(52,188)
Loss before tax		**(1,428)**	(5,039)
Income tax credit/(charge) for the year	7	**8,586**	(8)
Profit/(loss) for the year		**7,158**	(5,047)

The accompanying notes are an integral part of these financial statements.

Coroin Limited and Subsidiaries

Consolidated statement of other comprehensive income

for the year ended 31 December 2015

	Note	**31 December 2015 £'000**	31 December 2014 £'000
Profit/(loss) for the year		**7,158**	(5,047)
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit liability	*20*	**3,122**	(6,396)
Tax on remeasurements of defined benefit liability	*7*	**(624)**	1,279
Other comprehensive income/(loss), net of tax		**2,498**	(5,117)
Total comprehensive income/(loss) for the year		**9,656**	(10,164)

The accompanying notes are an integral part of these financial statements.

Coroin Limited and Subsidiaries

Consolidated statement of financial position

	Note	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Assets				
Property, plant and equipment	*9*	**749,773**	740,125	733,057
Intangible assets	*10*	**3,600**	4,051	4,519
Goodwill	*11*	**5,569**	5,569	5,569
Employee benefits	*20*	**5,464**	-	2,729
Total non-current assets		**764,406**	749,745	745,874
Trade and other receivables	*14*	**265,098**	15,889	12,486
Inventories	*12*	**3,700**	3,300	2,942
Cash and cash equivalents		**22,938**	25,794	19,715
Derivatives	*13*	**483**	3,065	15,176
Deferred tax	*7*	**5,499**	5,119	4,394
Total current assets		**297,718**	53,167	54,713
Total assets		**1,062,124**	802,912	800,587
Equity				
Share capital	*17*	**2**	2	2
Share premium	*17*	**145,010**	145,010	145,010
Convertible loans – equity component	*17*	**36,110**	38,795	38,795
Retained earnings		**(56,132)**	(65,788)	(55,624)
Total equity		**124,990**	118,019	128,183
Liabilities				
Loans and borrowings	*16*	**844,693**	594,589	587,418
Employee benefits	*20*	**-**	523	-
Deferred tax	*7*	**47,678**	55,260	55,806
Total non-current liabilities		**892,371**	650,372	643,224
Loans and borrowings	*16*	**11,440**	-	-
Trade and other payables	*15*	**33,323**	34,256	29,038
Deferred income		-	265	142
Total current liabilities		**44,763**	34,521	29,180
Total liabilities		**937,134**	684,893	672,404
Total equity and liabilities		**1,062,124**	802,912	800,587

The accompanying notes are an integral part of these financial statements.

On behalf of the board

Liam Cunningham
Director

16 September 2016

Consolidated statement of changes in equity
for the year ended 31 December 2015

	Attributable to equity holders of the company				
	Share capital £'000	**Share premium £'000**	**Convertible loans £'000**	**Retained earnings £'000**	**Total £'000**
At 1 January 2014	2	145,010	38,795	(55,624)	**128,183**
Comprehensive income	-	-	-	-	**-**
Loss for the year	-	-	-	(5,047)	**(5,047)**
Other comprehensive income	-	-	-	-	**-**
Remeasurements of defined benefit liability	-	-	-	(5,117)	**(5,117)**
At 31 December 2014	2	145,010	38,795	(65,788)	**118,019**
Comprehensive income					
Profit for the year	-	-	-	7,158	**7,158**
Other comprehensive income	-	-	-	-	**-**
Remeasurements of defined benefit liability	-	-	-	2,498	**2,498**
Transactions with owners of the company					
Derecognition of convertible loans	-	-	(2,685)	-	**(2,685)**
At 31 December 2015	**2**	**145,010**	**36,110**	**(56,132)**	**124,990**

The accompanying notes are an integral part of these financial statements.

Coroin Limited and Subsidiaries

Consolidated statement of cash flows
for the year ended 31 December 2015

	Note	31 December 2015 £'000	31 December 2014 £'000
Cash flows from operating activities			
Profit/(loss) for the financial year		**7,158**	(5,047)
Adjustments for:			
Depreciation of property, plant and equipment	*9*	**9,021**	7,694
Amortisation of intangible assets	*10*	**451**	468
Finance income	*6*	**(44)**	(207)
Finance costs	*6*	**47,176**	52,395
Retirement benefit obligations	*20*	**(2,821)**	(2,937)
Deferred tax (credit)/charge	*7*	**(8,586)**	8
		52,355	52,374
(Decrease)/increase in trade and other payables	*15*	**(2,289)**	4,317
Increase in trade and other receivables	*14*	**(249,679)**	(3,403)
Increase in inventories	*12*	**(400)**	(358)
Tax paid	*7*	**-**	-
Net cash from operating activities		**(200,013)**	52,930
Cash flow from investing activities			
Purchase of property plant and equipment	*9*	**(18,764)**	(13,773)
Interest received		**-**	-
Net cash used in investing activities		**(18,764)**	(13,773)
Cash flows from financing activities			
Financing costs	*6*	**(31,479)**	(33,078)
Repayment of bank loans	*16*	**(547,000)**	-
Receipt of bank loans	*16*	**800,000**	-
Payment of loan arrangement fees	*16*	**(5,600)**	-
Net cash from/(used in) financing activities		**215,921**	(33,078)
Net (decrease)/increase in cash and cash Equivalents		**(2,856)**	6,079
Cash and cash equivalents at the beginning of year		**25,794**	19,715
Cash and cash equivalents at the end of year		**22,938**	25,794

The accompanying notes are an integral part of these financial statements.

Coroin Limited and Subsidiaries

Company statement of financial position
as at 31 December 2015

	Note	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Fixed assets				
Intangible assets	23	-	1	19
Financial assets	23	110,935	110,935	110,935
Employee benefits	20	5,464	-	2,729
		116,399	110,936	113,683
Current assets				
Debtors	23	301,813	551,806	551,806
Cash at bank and in hand		11	10	104
Deferred tax assets	7	-	105	-
		301,824	551,921	551,910
Creditors: amounts falling due within one year	23	(129,223)	(375,352)	(376,306)
Net current assets		172,601	176,569	175,604
Total assets less current liabilities		289,000	287,505	289,287
Creditors: amounts falling due after one year	23	(61,600)	(53,972)	(48,927)
Provision for liabilities and charges				
Employee benefits	20	-	(523)	-
Deferred tax liability	7	(1,093)	-	(546)
Net assets		226,307	233,010	239,814
Capital and reserves				
Called up share capital	17	2	2	2
Share premium account	17	145,010	145,010	145,010
Convertible loans – equity component	17	36,110	38,795	38,795
Profit and loss account		45,185	49,203	56,007
Shareholders' funds		226,307	233,010	239,814

The accompanying notes are an integral part of these financial statements.

On behalf of the board

Liam Cunningham
Director

16 September 2016

Company statement of changes in equity

for the year ended 31 December 2015

	Attributable to equity holders of the company				
	Share Capital £'000	Share premium £'000	Convertible loans £'000	Retained earnings £'000	Total £'000
At 1 January 2014	2	145,010	38,795	56,007	**239,814**
Comprehensive income					
Loss for the year	-	-	-	(1,687)	**(1,687)**
Other comprehensive income	-	-	-	-	**-**
Remeasurements of defined benefit liability	-	-	-	(5,117)	**(5,117)**
At 31 December 2014	2	145,010	38,795	49,203	**233,010**
Comprehensive income					
Loss for the year	-	-	-	(6,516)	**(6,516)**
Other comprehensive income	-	-	-	-	**-**
Remeasurements of defined benefit liability	-	-	-	2,498	**2,498**
Transactions with owners of the company					
Derecognition of convertible loans	-	-	(2,685)	-	**(2,685)**
At 31 December 2015	**2**	**145,010**	**36,110**	**45,185**	**226,307**

1 Reporting entity

Coroin Limited ("the Company") is a company incorporated in the United Kingdom. The Company's registered office is 41 – 43 Brook Street, Mayfair, London, W1K 4HJ. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

2 Significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). These are the Group's first consolidated financial statements prepared in accordance with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group is provided in note 24.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value; and
- the defined benefit liability is recognised as the net total of the plan assets and the present value of the defined benefit obligation.

Functional currency

These consolidated financial statements are presented in Sterling, being the functional currency of the Company. All financial information presented in Sterling has been rounded to the nearest thousand, except where otherwise stated.

Use of estimates and judgements

In preparing these financial statements management has made judgements, estimates and assumptions that affect application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Such estimates and judgements are based on historical experience and other factors, including expectation of future events that are believed to be reasonable. Actual outcomes may differ from these estimates.

The key accounting judgements and estimates in these financial statements include:

- carrying amount of property, plant & equipment;
- carrying amount of goodwill and intangible assets;
- derivatives; and
- recognition of deferred tax assets.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

2 Significant accounting policies *(continued)*

Going concern

The financial statements have been prepared on the going concern basis.

Measurement of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

A number of the Group's accounting policies and disclosures require the measurement of fair values. When measuring the fair value of an asset or liability the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in note 18 on Financial Instruments and Risk Management.

Amendments to IFRSs that are not yet effective

A number of new IFRS requirements are effective for periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. These include the following:

- Amendments to IFRS 11: *Accounting for acquisitions of interests in Joint Operations* (effective 1 January 2016)
- IFRS 14: *Regulatory Deferral Accounts* (effective 1 January 2016)*
- Amendments to IAS 16 and IAS 38: *Clarification of acceptable methods of depreciation and amortisation* (effective 1 January 2016)
- IFRS 15: *Revenue from contracts with customers* (effective 1 January 2017)*
- IFRS 9 *Financial Instruments* (2009, and subsequent amendments in 2010 and 2013) (expected to be effective 1 January 2018 at the earliest)*

* Not yet endorsed by the EU

The Group is currently in the process of its assessment of the impact of these new IFRS requirements.

2 Significant accounting policies *(continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvements with the entity and has the ability to affect these returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Investments in subsidiaries are carried at cost less impairment in the financial statements of the company.

Leases

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets held under other leases are classified as operating leases and are not recognised in the Group's balance sheet.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

Finance income and finance costs

The Group's finance income and finance costs include:

- interest expense;
- interest income; and
- the net gain or loss on hedging instruments that are recognised in profit or loss.

Interest income or expenses is recognised using the effective interest method.

2 Significant accounting policies *(continued)*

Revenue

Revenue represents sales (excluding VAT and similar taxes) of goods and services net of trade discounts provided in the normal course of business.

Revenue is derived from hotel operations and includes the rental of rooms, food and beverage sales, and other revenue. Room and Food and Beverage revenue is recognised when rooms are occupied and food and beverages are sold.

Property, plant and equipment

Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation

Depreciation has not been charged on the freehold and leasehold properties held by the Group, in line with IAS 16, as the residual values of those properties exceeds the carrying values.

As a result, on an annual basis the group estimates the recoverable amount of its hotel properties based on the higher of their net realisable values or the present values of future cash flows expected to result from their use. Where the recoverable amount is less than the carrying amount of the hotel properties the group recognises an impairment loss in the profit and loss account.

Other fixed assets are stated at cost less accumulated depreciation. No depreciation is charged on archive materials and manuscripts however as they are maintained in good condition and they are expected to have a high residual value.

Depreciation of other tangible assets is provided on a straight-line basis over the following useful lives:

Plant and machinery	between 4 and 20 years
Fixtures and fittings	between 5 and 20 years
Short leasehold land buildings	between 1 and 5 years
Structural improvements	25 years

Intangible assets

Intangible assets acquired by the Group that have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight line method over their estimated useful lives, and is recognised in the income statement.

Notes *(continued)*

2 Significant accounting policies *(continued)*

***Intangible assets** (continued)*

The estimated useful life for the current and comparative year of intellectual property is 10 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Goodwill

Goodwill arising on the acquisition of a business represents the excess of the acquisition cost over the fair value of the identifiable net assets when they were acquired. Goodwill is measured at cost less accumulated impairment losses.

Impairment

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed, only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Trade and other receivables

Trade and other receivables are measured at their nominal amount less any allowance for doubtful amounts. An allowance is made when collection of the full amount is no longer considered probable.

2 Significant accounting policies *(continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less.

Cash equivalents are short-term highly liquid investments with an original maturity of three months or less from the date of acquisition that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

In the statement of cash flows cash and cash equivalents are shown net of short-term overdrafts which are repayable on demand.

Taxation

Income tax expense comprises current tax and deferred tax. It is recognised in the income statement except to the extent that it relates to items recognised in OCI or directly in equity, in which case it is recognised in OCI or directly in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates and laws that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax also includes any tax arising from dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: those differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that the Group is able to control the timing of reversal and it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised to the extent that it is probable future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2 Significant accounting policies *(continued)*

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned to date, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities - recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

(ii) Non-derivative financial assets - measurement

Loans and receivables
These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents
In the statement of cash flows, cash and cash equivalents include bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

(iii) Non-derivative financial liabilities - measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(iv) Derivative financial instruments and hedge accounting

Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss unless hedge accounting is being applied.

Cash flow hedges
When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

(v) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Ordinary dividends declared as final dividends are recognised as a liability in the period in which they are approved by shareholders. Interim dividends are recognised as a liability when declared.

Notes *(continued)*

2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

(vi) Compound financial instruments

Compound financial instruments issued by the group comprise convertible notes denominated in Sterling that can be converted to non voting ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

Provisions and contingent liabilities

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of that outflow can be measured reliably. If the effect is material, provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of an outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of an outflow of economic benefits is remote.

3 Revenue

	2015	2014
	£'000	£'000
Hotel, restaurant and ancillary services	**159,765**	152,565

All revenue arises in the United Kingdom.

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the group (including executive directors) during the year, analysed by category, was as follows:

	2015 **No.**	2014 No.
Hotel and administration	**1,429**	1,410

The aggregate payroll costs of these persons were as follows:

	2015 **£'000**	2014 £'000
Wages and salaries	**37,450**	35,370
Social security costs	**2,986**	3,036
Pension costs	**1,318**	1,194
	41,754	39,600

	2015 **£'000**	2014 £'000
Remuneration of directors		
Director emoluments	**1,197**	1,005
Company contribution to pension costs	**54**	67
	1,251	1,072

The aggregate emoluments of the highest paid director was £916,000 *(2014:£771,000)*, and pension contributions of £17,000 *(2014:£31,000)* were paid on behalf of that director.

	Number of directors **2015**	2014
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	**1**	1

5 Operating profit

	2015	2014
	£'000	£'000
Operating profit is stated after charging:		
Depreciation	**9,021**	7,694
Amortisation of intangible fixed assets	**451**	468
	9,472	8,162
Operating leases:		
- Plant and machinery	**4**	4
- Other assets	**944**	881
The consolidated profit is stated after charging:		
Auditor's remuneration		
- Audit of group, company and subsidiary financial statements	**190**	100
- Tax advisory services	**108**	108
- Other non-audit services	**-**	-
	298	**208**

Notes *(continued)*

6 Net finance costs

	2015 £'000	2014 £'000
Finance income:		
Interest arising on pension assets	**44**	207
	44	207
Finance costs:		
Interest expense on bank loans and borrowings	**22,951**	33,111
Imputed interest on convertible loan stock	**4,912**	5,015
Interest on special redeemable preference shares	**31**	31
Refinancing expenses (i)	**13,795**	-
Amortisation of loan issue expenses (ii)	**2,905**	2,127
Fair value movement on derivatives (iii)	**2,582**	12,111
	47,176	52,395
Net finance costs	**47,132**	52,188

(i) During the year the group refinanced external loan facilities. Arrangement fees previously offset against these loan facilities of £10.6 million were immediately recognised in the income statement. Additional break fees incurred were recognised as an expense in the current year.

(ii) Arrangement fees incurred in relation to new facilities have been capitalised and in line with the group's accounting policies will be amortised over the period of the loan using the effective interest method.

(iii) The group have interest rate cap agreements in place in relation to repaid loan facilities which are still open and which, on transition to IFRS were required to be recognised at fair value. As these financial instruments do not qualify for hedge accounting all fair value movements are recognised in the income statement until they expire.

7 Income taxes

(a) Amounts recognised in income statement

	2015 £'000	2014 £'000
Current tax		
UK corporation tax	-	-
Adjustment in respect of prior years	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of temporary differences – pension	573	629
Adjustment in respect of prior periods	(1,967)	(707)
Impact of changes in tax rates	(7,192)	86
Total deferred tax	(8,586)	8
Income tax (credit)/expense	(8,586)	8

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future tax charge accordingly.

Notes *(continued)*

7 Income taxes *(continued)*

(b) Reconciliations of effective tax

	2015 £'000	2014 £'000
Loss on ordinary activities before tax	**(1,428)**	(5,039)
Loss on ordinary activities before tax at the standard corporation tax rate in UK of 20.25% (2014:21.49%):	**(289)**	(1,083)
Expenses not deductible for tax purposes	**1,774**	3,810
Movement on deferred tax not recognised	**-**	(1,442)
Impact of transition to IFRS	**-**	(544)
Adjustment to tax charge in respect of prior periods	**(1,967)**	(707)
Impact of change in tax rates	**(8,104)**	(26)
Income tax (credit)/charge	**(8,586)**	8

(c) Movements in deferred tax balances

	1 January 2015 £'000	Recognised in profit and loss £'000	Recognised in OCI £'000	Recognised in equity £'000	**31 December 2015 £'000**
Deferred tax asset					
Property, plant and equipment	**4,052**	169	-	-	**4,221**
Tax value of losses carried forward	**623**	336	-	-	**959**
Other temporary differences	**81**	6	-	-	**87**
Financial derivatives	**258**	(26)	-	-	**232**
Defined benefit pension scheme	**105**	(105)	-	-	**-**
Total	**5,119**	380	-	-	**5,499**

Notes *(continued)*

7 Income taxes *(continued)*

(c) Movements in deferred tax balances *(continued)*

	1 January 2015 £'000	Recognised in profit and loss £'000	Recognised in OCI £'000	Recognised in equity £'000	31 December 2015 £'000
Deferred tax liabilities					
Property, plant and equipment - capital gains	**(55,260)**	8,675	-	-	**(46,585)**
Defined benefit pension scheme	-	(469)	(624)	-	**(1,093)**
Total	**(55,260)**	8,206	(624)	-	**(47,678)**

	1 January 2014 £'000	Recognised in profit and loss £'000	Recognised in OCI £'000	Recognised in equity £'000	31 December 2014 £'000
Deferred tax Asset					
Property, plant and equipment	**4,345**	(293)	-	-	**4,052**
Tax value of losses carried Forward	-	623	-	-	**623**
Other temporary Differences	**49**	32	-	-	**81**
Derivatives	-	258	-	-	**258**
Defined benefit pension scheme	-	(1,174)	1,279	-	**105**
Total	**4,394**	(554)	1,279	-	**5,119**

	1 January 2014 £'000	Recognised in profit and loss £'000	Recognised in OCI £'000	Recognised in equity £'000	31 December 2014 £'000
Deferred tax liabilities					
Property, plant and equipment	**(55,260)**	-	-	-	**(55,260)**
Defined benefit pension scheme	**(546)**	546	-	-	**-**
Total	**(55,806)**	546	-	-	**(55,260)**

Notes *(continued)*

7 Income taxes *(continued)*

(d) Unrecognised deferred tax assets

The following deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom:

	2015	2014	2014
	£'000	£'000	£'000
Deferred tax assets			
Capital allowances	-	1,162	1,112
Other timing differences	-	56	54
Tax losses	**4,564**	5,785	7,919
Total	**4,564**	7,003	9,085

8 Dividends

Dividends were neither paid nor proposed in the current year. Details of interest provided on preference shares and convertible loan stock is provided in note 16.

Notes *(continued)*

9 Property, plant and equipment

Group	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Structural Improvements £'000	Short leasehold land and buildings £'000	Assets under the course of construction £'000	Fixtures fittings plant and machinery £'000	Group Total £'000
Cost							
At 31 December 2014	426,079	240,413	6,176	112	19,135	103,995	795,910
Additions	-	-	-	-	18,669	-	18,669
Transfers to completed assets	1,569	313	1,159	-	(13,146)	10,105	-
At 31 December 2015	**427,648**	**240,726**	**7,335**	**112**	**24,658**	**114,100**	**814,579**
Depreciation							
At 31 December 2014	-	-	-	112	-	55,673	55,785
Charge for the year	-	-	757	-	-	8,264	9,021
At 31 December 2015	-	-	**757**	**112**	-	**63,937**	**64,806**
Net book value							
At 31 December 2015	**427,648**	**240,726**	**6,578**	-	**24,658**	**50,163**	**749,773**
At 31 December 2014	426,079	240,413	6,176	-	19,135	48,322	740,125

Notes *(continued)*

9 Property, plant and equipment *(continued)*

Group	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Structural Improvements £'000	Short leasehold land and buildings £'000	Assets under the course of construction £'000	Fixtures fittings plant and machinery £'000	Group Total £'000
Cost							
At 31 December 2013	429,286	240,127	-	112	15,223	96,400	781,148
Additions	-	-	-	-	14,762	-	14,762
Reclassification/transfers	(3,207)	286	6,176	-	(10,850)	7,595	-
At 31 December 2014	**426,079**	**240,413**	**6,176**	**112**	**19,135**	**103,995**	**795,910**
Depreciation							
At 31 December 2013	-	-	-	112	-	47,979	48,091
Charge for the year	-	-	-	-	-	7,694	7,694
At 31 December 2014	-	-	-	**112**	-	**55,673**	**55,785**
Net book value							
At 31 December 2014	**426,079**	**240,413**	**6,176**	-	**19,135**	**48,322**	**740,125**
At 31 December 2013	429,286	240,127	-	-	15,223	48,421	733,057

9 Property, plant and equipment *(continued)*

In accordance with the Group's accounting policies, the directors undertake an annual review of the carrying value of all other property, plant and equipment to determine whether there is any indication of impairment. An impairment test was performed at 31 December 2015 by comparing the carrying amount of these assets to their recoverable amounts.

The recoverable amount is determined as the higher of value in use and fair value less costs of disposal. In determining an asset's recoverable amount the directors are required to make judgements, estimates and assumptions that impact on the carrying value of the properties. The estimates and assumptions used are based on historical experience and other factors that are believed to be reasonable based on information available. At 31 December 2015, the fair value, and hence the recoverable amount were deemed to be significantly higher than the carrying amount. The directors conclude that the carrying value of property, plant and equipment is not impaired at 31 December 2015.

The estimated fair values of the long lease and freehold land and buildings would increase (decrease) if:

- the discount rate was higher (lower);
- the trading performance of the hotels improved (declined); or
- market yields increased (decreased).

10 Intangible assets

Reconciliation of carrying amount

	Intellectual property £'000 Group
Cost	
At 1 January 2014	4,519
Additions	-
Balance at 31 December 2014	4,519
Additions	-
At 31 December 2015	4,519

10 Intangible assets *(continued)*

Accumulated amortisation and impairment losses

	£'000
Balance at 1 January 2014	-
Amortisation	(468)
Impairment loss	-
At end of year 31 December 2014	(468)
Amortisation	(451)
Impairment loss	-
At end of year 31 December 2015	(919)
Carrying amounts	
At 1 January 2014	4,519
At 31 December 2014	4,051
At 31 December 2015	**3,600**

In 2013 The Berkeley Hotel Limited, a subsidiary undertaking of Coroin Limited, purchased back certain intellectual property from Maybourne Management Services Limited, a company with common directors, for £4.5 million, being its estimated fair value. The fair value was calculated using the Royalty Relief approach which is widely considered to be the most appropriate means of determining the value of intellectual property. Amortisation of this intangible commenced in the financial year ended 31 December 2014.

11 Goodwill

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Cost			
At beginning and end of year	**5,569**	5,569	5,569
Impairment losses	**-**	-	-
Carrying amount			
At end of year	**5,569**	5,569	5,569

Notes *(continued)*

11 Goodwill *(continued)*

The goodwill recognised relates to the goodwill created on the purchase of the hotels as cash generating units at fair market value in 2005. The goodwill relates to the hotels only, no goodwill has been recognised on the other assets held by the Group. The group accounts for acquisitions using the purchase accounting method as outlined in IFRS 3 Business Combinations.

The recoverable amount of the cash generating units is based on the fair value, less cost of disposal estimate. Valuations were carried out by independent external valuers. The Group tests goodwill annually for impairment. At 31 December 2015, the fair value, and hence the recoverable amount were deemed to be significantly higher than the carrying amount of the group as cash generating units. There is no reasonable foreseeable change in assumptions that would adversely impact on the carrying value of goodwill. The directors conclude that the carrying value of goodwill is not impaired at 31 December 2015.

12 Inventory

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Raw materials and consumables	**3,700**	3,300	2,942

The directors are of the opinion that the net realisable value of inventory is greater than the carrying value. There was no material write down of inventories to net realisable value during the year ended 31 December 2015 *(2014: £Nil)*.

13 Derivatives

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Fair value of interest rate caps	**3,065**	15,176	15,176
Fair value movement recognised in income statement (see note 6)	**(2,582)**	(12,111)	-
At end of year	**483**	3,065	15,176

The group has interest rate cap agreements in place in relation to repaid loan facilities which are still open and which, on transition to IFRS were required to be recognised at fair value. As these financial instruments do not qualify for hedge accounting all fair value movements are recognised in the income statement until they expire in January 2018.

Notes *(continued)*

14 Trade and other receivables

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Trade receivables	**9,034**	9,895	7,078
Amounts owed by related company (note 21)	**250,000**	-	4
Other receivables	**2,735**	2,283	2,345
Prepayments	**3,329**	3,711	3,059
	265,098	15,889	12,486

15 Trade and other payables

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Trade payables	**8,954**	9,883	8,014
Taxes and social security	**7,647**	7,095	6,590
Other payables	**955**	947	739
Accruals	**14,406**	14,874	13,227
Capital accruals	**1,361**	1,457	468
	33,323	34,256	29,038

Notes *(continued)*

16 Loans and borrowings

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Non current liabilities			
Secured bank loans (i)	**783,093**	540,617	538,491
Convertible loans (ii)	**60,802**	53,205	48,190
Special redeemable preference shares (iii)	**798**	767	737
	844,693	594,589	587,418

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Current liabilities			
Secured bank loans (i)	**11,440**	-	-
	11,440	-	-

(i) Secured bank loans

During the year the group refinanced its existing loan facilities replacing them with an £800 million facility, due for repayment in October 2022 with £11.44 million due annually until October 2022. The security package for the bank loans comprises cross company guarantees supported by debentures giving a fixed and floating charge over all the assets of the group.

Offset against bank loans are loan arrangement fees of £5.6 million (2014: £10.6 million) which, in line with the group's accounting policies are amortised over the period of the loan using the effective interest method. As noted above, during the year the company refinanced external bank loans and consequently accelerated the amortisation of arrangement fees relating to old facilities of £10.6 million replacing them with new arrangement fees incurred.

The group has interest rate cap agreements in place in relation to old loan facilities which are open and which, on transition to IFRS, were required to be recognised at fair value. As these financial instruments do not qualify for hedge accounting all fair value movements will be recognised in the profit and loss account until they expire in January 2018. Note 13 sets out the fair value at the balance sheet date.

16 Loans and borrowings *(continued)*

(ii) Convertible loans

	31 December 2015 £'000
Proceeds from issue of convertible notes (£64.6 million at £1 par value)	64,600
Amount classified as equity (see note 17)	(36,110)
Accrued interest	32,312
Carrying amount of liability at 31 December 2015	**60,802**

Convertible loan stock of £64,600,000 (*2014: £64,600,000* is in issue with interest charged at a rate of 1% per annum. Interest is not paid until the loan stock is repaid or converted to ordinary shares. The loan stock is convertible to non-voting ordinary share capital of £1 each in the company on 27 October 2022 or earlier subject to the agreement of the company. In line with group's accounting policies the liability component of the convertible loans is recognised initially at fair value and subsequently measured at amortised cost.

(iii) Special redeemable preference shares

	31 December 2015 £'000
Proceeds from issue of special redeemable preference shares	440
Accrued interest	358
Carrying amount at 31 December 2015	**798**

Special redeemable preference shares are redeemable at the company's option and on redemption an amount equal to £1 in respect of each redeemable preference share shall be paid. Special redeemable preference shareholders have the right to receive notice of, attend and speak at the general meetings of the company but not to vote at these meetings.

Special redeemable preference shares are redeemable at the company's option and on redemption an amount equal to the nominal value of the shares and interest of 0.019178% per day from 14 May 2004 date until redemption date shall be paid. Special redeemable preference shareholders have the right to receive notice of, attend and speak at the general meetings of the company but not to vote at these meetings.

Notes *(continued)*

17 Capital and reserves

(a) Called up share capital and share premium

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Share capital - group			
Authorised:			
3,173 'A' ordinary shares £0.1 each	**0.3**	0.3	0.3
3,058 'B' ordinary shares £0.1 each	**0.3**	0.3	0.3
3,133 'C' ordinary shares £0.1 each	**0.3**	0.3	0.3
3,045 'D' ordinary shares £0.1 each	**0.3**	0.3	0.3
3,045 'E' ordinary shares £0.1 each	**0.3**	0.3	0.3
134,500,000 non voting ordinary shares of £1 each	**134,500**	134,500	134,500
1,000 redeemable preference shares of £0.1 each	**-**	-	-
440,000 special redeemable preference shares of £1 each	**440**	440	440
	134,942	134,942	134,942

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Issued equity:			
Called up, allotted and fully paid			
3,173 'A' ordinary shares £0.1 each	**0.3**	0.3	0.3
3,058 'B' ordinary shares £0.1 each	**0.3**	0.3	0.3
3,133 'C' ordinary shares £0.1 each	**0.3**	0.3	0.3
3,045 'D' ordinary shares £0.1 each	**0.3**	0.3	0.3
3,045 'E' ordinary shares £0.1 each	**0.3**	0.3	0.3
	2	2	2
1,000 redeemable preference shares of £0.1 each	**-**	-	-
440,000 special redeemable preference shares of £1 each	**440**	440	440
Total	**442**	442	442
Shares classified as liabilities (note 16)	**440**	440	440
Shares classified in equity	**2**	2	2
Total	**442**	442	442

Notes *(continued)*

17 Capital and reserves *(continued)*

(a) Called up share capital and share premium *(continued)*

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Share premium - group and company			
At beginning and end of year	**145,010**	145,010	145,010

(b) Convertible loans

Group and company	**31 December 2015 £'000**	31 December 2014 £'000	1 January 2014 £'000
At beginning of year	**38,795**	38,795	38,795
Movement during the year	**(2,685)**	-	-
At end of year	**36,110**	38,795	38,795

The reserve for convertible loans comprises the fair value of the equity component for the convertible loans issued. Fair value is calculated in accordance with the group's accounting policies. The movement during the year arose due to the extension of the term from 2018 to 2022.

During the year the entire, share capital, share premium and convertible loan stock was acquired by Séléné S.à.r.l at fair market value.

18 Financial instruments and risk management

(a) Accounting classifications and fair value

The following tables show the carrying amount of financial assets and liabilities including their values in the fair value hierarchy. The tables do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				Fair value			
	Loans and Receivables £'000	Liabilities at Amortised cost £'000	Fair value hedging instruments £'000	Total carrying amount £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31 December 2015								
Trade receivables	9,034	-	-	9,034	-	-	-	-
Amounts owed by related company	250,000	-	-	250,000	-	-	-	-
Cash and cash equivalents	22,938	-	-	22,938	-	-	-	-
Trade and other payables	-	(33,323)	-	(33,323)	-	-	-	-
Special redeemable preference shares	-	(798)	-	(798)	-	(798)	-	(798)
Convertible loan stock	-	(60,802)	-	(60,802)	-	(60,802)	-	(60,802)
Derivatives	-	-	483	483	-	483	-	483
Secured bank loans	-	(794,533)	-	(794,533)	-	-	-	-
	281,972	(889,456)	483	(607,001)	-	(61,117)	-	(61,117)

Notes *(continued)*

18 Financial instruments and risk management *(continued)*

(a) Accounting classifications and fair value *(continued)*

	Carrying amount				Fair value			
	Loans and receivables £'000	Liabilities at Amortised Cost £'000	Fair value hedging instruments £'000	Total carrying amount £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31 December 2014								
Trade receivables	9,895	-	-	9,895	-	-	-	-
Cash and cash equivalents	25,794	-	-	25,794	-	-	-	-
Trade and other payables	-	(34,256)	-	(34,256)	-	-	-	-
Special redeemable preference shares	-	(767)	-	(767)	-	(767)	-	(767)
Convertible loan stock	-	(53,205)	-	(53,205)	-	(53,205)	-	(53,205)
Derivatives	-	-	3,065	3,065	-	3,065	-	3,065
Secured bank loans	-	(540,617)	-	(540,617)	-	-	-	-
	35,689	(628,845)	3,065	(590,091)	-	(50,907)	-	(50,907)

Notes *(continued)*

18 Financial instruments and risk management *(continued)*

(a) Accounting classifications and fair value *(continued)*

	Carrying amount				Fair value			
	Loans and receivables £'000	Liabilities at Amortised Cost £'000	Fair value hedging instruments £'000	Total carrying amount £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
1 January 2014								
Trade receivables	7,078	-	-	7,078	-	-	-	-
Cash and cash equivalents	19,715	-	-	19,715	-	-	-	-
Trade and payables	-	(29,038)	-	(29,038)	-	-	-	-
Special redeemable preference shares	-	(737)		(737)	-	(737)	-	(737)
Convertible loan stock	-	(48,190)	-	(48,190)	-	(48,190)	-	(48,190)
Derivatives	-	-	15,176	15,176	-	15,176	-	15,176
Secured bank loans	-	(538,491)	-	(538,491)	-	-	-	-
	26,793	(616,456)	15,176	(574,487)	-	(33,751)	-	(33,751)

For financial instruments measured at fair value, their fair values are measured using market values. For financial instruments not measured in fair value, their fair values are measured using discounted cash flows.

18 Financial instruments and risk management *(continued)*

(a) Accounting classifications and fair value *(continued)*

Estimation of fair values
The principal methods and assumptions used in estimating the fair values of financial assets and liabilities are explained below.

Cash and cash equivalents including the short-term bank deposits
For short term bank deposits and cash and cash equivalents, all of which have a maturity of less than three months, the carrying value is deemed to reflect a reasonable approximation of fair value.

Trade and other receivables/payables
For the receivables and payables with a remaining term of less than one year or demand balances, the carrying value less impairment provision, where appropriate, is a reasonable approximation of fair value.

Loans
For bank loans and borrowings the fair value is calculated based on discounted cash flow techniques.

Derivatives
Discounted cash flow analyses have been used to determine the fair value of the interest rate caps, taking into account current market inputs and rates.

(b) Financial risk management

The group is exposed to various financial risks that include credit risk, liquidity risk and market risk. The group has a risk management framework in place which seeks to limit the impact of these risks on the financial performance of the group. It is the policy of the group to manage these risks in a non-speculative manner.

This note presents information about the group's exposure to each of the above risks and the objectives, policies and processes for measuring and managing the risks. Further quantitative and qualitative disclosures are included throughout this note.

The company's board of directors has overall responsibility for the establishment and oversight of the group's risk management framework.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

(c) Credit risk

Exposure to credit risk
Credit risk arises from granting credit to customers and from investing cash and cash equivalents with banks and financial institutions.

Notes *(continued)*

18 Financial instruments and risk management *(continued)*

(c) Credit risk *(continued)*

Trade and other receivables
The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no concentration of credit risk or dependence on individual customers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Cash and short term bank deposits
The group is exposed to credit risk from the counterparties with whom it places its bank deposits. The group is satisfied that the credit risk associated with its deposits is not significant.

The carrying amount of financial assets, net of impairment provisions, represents the group's maximum credit exposure.

Trade receivables
The group has detailed procedures for monitoring and managing the credit risk related to trade receivables. Trade receivables are monitored by review of aged debtor reports by management.

At 31 December 2015	**Gross £'000**	**Impairment £'000**	**Net receivables £'000**
Group			
Not past due	**8,513**	**-**	**8,513**
Past due < 90 days	**456**	**-**	**456**
Past due > 90 days	**174**	**(109)**	**65**
	9,143	**(109)**	**9,034**

At 31 December 2014	**Gross £'000**	**Impairment £'000**	**Net receivables £'000**
Group			
Not past due	**9,017**	-	9,017
Past due < 90 days	**936**	(58)	878
Past due > 90 days	**296**	(296)	-
	10,249	**(354)**	**9,895**

18 Financial instruments and risk management *(continued)*

(c) Credit risk *(continued)*

At 31 December 2013	Gross £'000	Impairment £'000	Net Receivables £'000
Group			
Not past due	**6,350**	-	6,350
Past due < 90 days	**565**	-	565
Past due > 90 days	**193**	(30)	163
	7,108	**(30)**	**7,078**

(d) Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due.

Bank loans

Interest of £23 million was charged on average bank loans of £592.2 million. In 2014, interest of £33.1 million was charged on average bank loans of £547 million.

Convertible loan stock

Convertible loan stock of £64,600,000 (*2014: £64,600,000* is in issue with interest charged at a rate of 1% per annum. Interest is not paid until the loan stock is repaid or converted to ordinary shares. The loan stock is convertible to non voting ordinary share capital of £1 each in the company on 27 October 2022 or earlier subject to the agreement of the company.

Overdraft facilities

The group has no undrawn overdraft or loan facilities.

Special redeemable preference shares

Redeemable preference shares are redeemable at the company's option and on redemption an amount equal to £1 in respect of each redeemable preference share shall be paid. Redeemable preference shareholders have the right to receive notice of, attend and speak at the general meetings of the company but not to vote at these meetings.

Special redeemable preference shares are redeemable at the company's option and on redemption an amount equal to the nominal value of the shares and interest of 0.019178% per day from 14 May 2004 until redemption date shall be paid. Special redeemable preference shareholders have the right to receive notice of, attend and speak at the general meetings of the company but not to vote at these meetings.

Notes *(continued)*

18 Financial instruments and risk management *(continued)*

(d) Liquidity risk *(continued)*

Contractual maturities

The following are the contractual maturities of the group financial liabilities, including estimated interest payments.

Group	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6 - 12 months £'000	1 - 2 Years £'000	2 - 5 years £'000	More than 5 years £'000
At 31 December 2015							
Non derivatives							
Secured bank loans	794,533	(990,348)	(14,233)	(25,674)	(39,423)	(115,906)	(795,112)
Trade and other payables	33,323	(33,323)	(33,324)	-	-	-	-
	827,856	**(1,023,671)**	**(47,557)**	**(25,674)**	**(39,423)**	**(115,906)**	**(795,112)**

The convertible loan stock repayable in 2022 have no contractual cash flows of either principal or interest until their maturity in 2022. Contractual cash flows may become payable in advance of 2022 in the event that certain contingent events occur.

Notes *(continued)*

18 Financial instruments and risk management *(continued)*

(d) Liquidity risk *(continued)*

Group	Carrying Amount £'000	Contractual cash flows £'000	6 months or less £'000	6 - 12 months £'000	1 - 2 years £'000	2 - 5 years £'000	More than 5 years £'000
At 31 December 2014	-	-	-	-	-	-	-
Non derivatives							
Secured bank loans	540,617	(660,811)	(13,589)	(10,565)	(21,130)	(63,216)	(552,311)
Trade and other payables	34,256	(34,256)	(34,256)	-	-	-	-
	574,873	**(695,067)**	**(47,845)**	**(10,565)**	**(21,130)**	**(63,216)**	**(552,311)**

The convertible loan stock repayable in 2022 have no contractual cash flows of either principal or interest until their maturity in 2022. Contractual cash flows may become payable in advance of 2022 in the event that certain contingent events occur.

Notes *(continued)*

18 Financial instruments and risk management *(continued)*

(e) Market risk

Market risk is the risk that changes in market prices and indices, such as foreign exchange rates, and interest rates will affect the group and company's income or the value of its holdings of financial instruments.

(f) Foreign exchange rate risk

The Group is not exposed to translation foreign exchange rate risk on its hotel operations as all of its operations are within the UK.

(g) Interest rate risk

The group is not currently exposed to interest rate risk as all borrowings are subject to fixed interest rates.

19 Commitments

(a) Operating Leases

Non-cancellable operating lease rentals payable are set out below. These represent the minimum future lease payments in aggregate that the group is required to make under existing lease arrangements.

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Less than one year	**225**	225	225
Between one and five years	**849**	872	896
Beyond five years	**20,359**	20,515	20,717
	21,433	21,612	21,838

(b) Capital expenditure commitments

The group has the following commitments for future capital expenditure under its contractual arrangements.

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Authorised and contracted for	**1,293**	3,520	1,798
Authorised and not contracted for	**-**	-	-
	1,293	3,520	1,798

Notes *(continued)*

20 Employee benefits

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Total market value of pension scheme Assets	**74,447**	74,677	67,630
Present value of defined benefit Obligation	**(68,983)**	(75,200)	(64,901)
Excess of scheme liabilities over assets	**5,464**	(523)	2,729
Additional funding liability	**-**	-	-
Employee retirement benefit asset/(liability) before tax	**5,464**	(523)	2,729
Related tax asset/(liability)	**(1,093)**	105	(546)
Employee retirement benefit asset/(liability) after tax	**4,371**	(418)	2,183

The group operates two pension schemes, a defined benefit scheme and a defined contribution scheme. The defined benefit scheme, The Maybourne Hotels Group Pension and Life Insurance Scheme, which has two sections - Staff and Senior Staff section, closed to new entrants with effect from 1 August 2006. The Maybourne Stakeholder Scheme, a defined contribution scheme, was introduced on 1 August 2006 and is open to all staff if they meet the eligibility criteria. Pensions for 114 employees *(2014:133)* are funded through the defined contribution scheme. The defined contribution pension cost for the year amounted to £345,829 (*2014: £319,502*). From 1 April 2014 the company introduced the government led Autoenrolment scheme, a contribution scheme, whereby all employees who are not members of any pension scheme would automatically be enrolled, unless opted out. The Autoenrolment contribution pension cost for the year amounted to £393,763 (2014: £274,962). The group actively encourages staff to join the scheme as it believes that it is an important element of the remuneration package. Pensions for 968 employees (2014: 940) are funded through the defined contribution scheme.

The pension contributions to the defined benefit scheme are assessed in accordance with the advice of an independent professionally qualified actuary. The most recent actuarial valuation was carried out at 31 March 2015 and showed that the market value of the scheme's assets was sufficient to cover 87% of the accrued liabilities. The valuation recommended an overall monthly contribution cap of £324,178 (2013: £315,289) from 30 June 2016 to 30 June 2018, which includes a contribution for future accrual of benefit at a rate of 35.3% (25.8% to June 2016) of pensionable salaries, contribution in respect of administration and other costs of £22,157 (2014: £21,567) and an additional contribution to the amount of £324,178 minus the above two contributions (2014: £315,289 minus the above two contributions).

The valuations employed for IAS 19 purposes have been based on the most recent funding valuations (date of which is noted above) adjusted by the independent actuaries to allow for the accrual of liabilities up to 31 December 2015 and to take account of financial conditions at this date. They have been completed using the projected unit method and assets for this purpose have been valued at market value.

20 Employee benefits *(continued)*

Movement in net defined benefit liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability and its components.

	Defined benefit obligation		**Fair value of plan assets**		**Net defined benefit liability**	
	31 December 2015 £'000	31 December 2014 £'000	**31 December 2015 £'000**	31 December 2014 £'000	**31 December 2015 £'000**	31 December 2014 £'000
Balance at 1 January	**(75,200)**	(64,901)	**74,677**	67,630	**(523)**	2,729
Included in profit and loss						
Current service costs	**(611)**	(515)	**-**	-	**(611)**	(515)
Interest cost/(income)	**(2,652)**	(2,916)	**2,696**	3,123	**44**	207
	(3,263)	(3,431)	**2,696**	3,123	**(567)**	(308)
Included in OCI						
Remeasurements:						
-Actuarial gain/(loss) arising from:						
- demographic assumptions	**793**	(203)	**-**	-	**793**	(203)
- financial assumptions	**2,749**	(9,574)	**-**	-	**2,749**	(9,574)
- experience adjustment	**883**	(35)	**-**	-	**883**	(35)
- Return on plan assets excluding interest income	**-**	-	**(1,303)**	3,416	**(1,303)**	3,416
	4,425	(9,812)	**(1,303)**	3,416	**3,122**	(6,396)

Notes *(continued)*

20 Employee benefits *(continued)*

Movement in net defined benefit liability *(continued)*

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability/(asset)	
	31 December 2015 £'000	31 December 2014 £'000	**31 December 2015 £'000**	31 December 2014 £'000	**31 December 2015 £'000**	31 December 2014 £'000
Other						
Contributions paid by employees	**(85)**	(89)	**85**	89	**-**	-
Contributions paid by the employer	**5,099**	2,998	**3,829**	3,834	**3,829**	3,834
Benefits paid	**-**	-	**(5,099)**	(2,998)	**-**	-
Insurance premiums for risk benefits	**41**	35	**(41)**	(35)	**-**	-
Administration expenses	**-**	-	**(397)**	(382)	**(397)**	(382)
	5,055	2,944	**(1,623)**	508	**3,432**	3,452
Balance at 31 December	**(68,983)**	(75,200)	**74,447**	74,677	**5,464**	(523)

20 Pension *(continued)*

The Group expects to pay £3.879 million in contributions to its defined benefit plans in 2016.

(a) Plan assets

The fair value of the plans' assets at 31 December is analysed as follows:

	31 December 2015 £'000	31 December 2014 £'000
Investment funds	**44,794**	47,899
Debt instruments	**26,917**	24,102
Other	**2,736**	2,676
	74,447	74,677

(b) Defined benefit obligation

(i) Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	31 December 2015	31 December 2014	1 January 2014
Discount rate	**3.95%**	3.65%	4.60%
Inflation rate (RPI)	**3.05%**	2.95%	3.35%
Inflation rate (CPI)	**2.05%**	1.95%	2.35%
Future pension growth	**2.05%**	-	-
Rate of increase of deferred pensions	**-**	2.90%	3.25%
	2015	2014	2013
Life expectancy at age 65 for pensioners currently aged 65 (years)			
Female	**24.9**	25.1	25.1
Male	**22.5**	22.7	22.7
Life expectancy at age 65 for active members currently aged 45 (years)			
Female	**26.9**	27.1	27.0
Male	**24.2**	24.4	24.4

At 31 December 2015, the weighted average duration of the defined benefit obligation was 16 years (2014: 19 years).

(ii) Sensitivity analysis
Increasing the discount rate applied by 0.25% would result in a £2.7 million increase in the surplus.
Decreasing the discount rate applied by 0.25% would result in a £2.8 million decrease in the surplus.
Increasing the inflation rate applied by 0.25% would result in a £1.7 million decrease in the surplus.
Decreasing the inflation rate applied by 0.25% would result in a £1.6 million increase in the surplus.

Notes *(continued)*

21 Related party disclosures

(a) Transactions with related parties

A number of the directors of Coroin Limited, are directors of Hume Street Management Consultants Limited. Fees (excluding VAT) payable to Hume Street Management Consultants Limited, which acted as consultants to the Group during the year, amounted to £3.5 million (2014: £Nil). At 31 December 2015 an amount of £0.9 million (2014: £nil) was due to Hume Street Management Consultants Limited. All services were provided based on normal market rates.

(b) Director Interests

The directors who held office at the end of the financial year had the following interests in the ordinary shares, redeemable preference shares, special redeemable preference shares and convertible loan stock in the company at the start of the year, or at their date of appointment if later, and at the end of the year to 31 December 2015:

Name		Number of ordinary shares of £0.10 each		Number of special redeemable preference shares of £1 each		Amount of convertible loan stock of £1 each	
		At start of year	At end of year	At start of year	At end of year	At start of year	At end of year
Patrick McKillen	'A' Shares	3,173	-	179,233	-	29,058,667	-
	'B' Shares	903	-	-	-	-	-
	'E' Shares	1,522	-	-	-	-	-

(c) Key management personnel transactions

Total compensation of key management personnel (including executive directors) in the year amounted to £2.6 million (2014: £2.3 million).

(d) Parent and ultimate controlling party

As at 31 December 2015, the share capital of Coroin Limited was owned by Séléné S.à.r.l., which is ultimately controlled by Constellation Hotels Holding Ltd S.C.A.

(e) Other related party transactions

During the year the company advanced a loan in the amount of £250 million to Séléné S.à.r.l. The loan is repayable on demand and is non-interest bearing.

During 2014, the company finalised the position relating to costs claimed from a shareholder in respect of costs incurred by the company from various legal cases. The total amounts paid by a shareholder was £1.9 million.

22 Subsequent events

There were no events subsequent to the balance sheet date that require adjustment to or disclosure in the financial statements.

23 Company notes

Significant accounting policies

The individual financial statements of the company have been prepared in accordance with FRS 101.

Significant accounting policies specifically applicable to the individual company financial statements and which are not reflected in the accounting policies for the Group financial statements are detailed below.

Investment in subsidiaries

Investments in subsidiaries are accounted for in the individual company financial statements on the basis of the direct equity interest, rather than on the basis of the reported results and net assets of the investors. Investments in subsidiaries are carried at cost less impairment.

(a) Financial fixed assets

	31 December 2015 £'000	31 December 2014 £'000
At beginning of year	**110,935**	110,935
Impairment	**-**	-
At end of year	**110,935**	110,935

At 31 December 2015 the carrying amount of the investment in subsidiary undertakings was reviewed for impairment in accordance with our accounting policies. No impairment loss was recognised. A list of the entity's subsidiary undertakings is set out in note (f).

(b) Debtors

	31 December 2015 £'000	31 December 2014 £'000
Current assets		
Prepayments and other assets	**7**	-
Amounts due from group undertakings	**301,806**	551,806
Total	**301,813**	551,806

23 Company notes *(continued)*

(c) Trade payables: amounts falling due within one year

	31 December 2015 £'000	31 December 2014 £'000
Trade and other payables		
Trade payables	**-**	-
Accruals and deferred income	**968**	223
Other taxes and social security	**-**	4
Amounts due to subsidiary undertakings	**128,255**	375,125
Total	**129,223**	375,352

(d) Trade payables: amounts falling due after one year

	31 December 2015 £'000	31 December 2014 £'000
Loans and borrowings		
Special redeemable preference shares	**440**	440
Convertible loan stock	**60,802**	53,205
Interest payable on special redeemable preference shares	**358**	327
Total	**61,600**	53,972

(e) Profit and loss account

Of the profit for the year, a loss in the amount of £6.5 million *(2014: £1.7 million loss)* is dealt with in the financial statements of the Company. No profit and loss account is presented for the company as permitted by Section 408 of the Companies Act 2006.

23 Company notes *(continued)*

(f) Financial fixed assets

The company has a shareholding in the following principal companies:

Subsidiary undertaking	Country of Incorporation and operation	Activity	Shareholding (ordinary shares)
Westark Properties Limited	Great Britain	Holding Company	100% (direct)
Maybourne Mezzanine Holdco Limited	Great Britain	Holding Company	100% (direct)
MHG Mezz Borrower Limited	Great Britain	Holding Company	100% (indirect)
MHG Senior Holdco Limited	Great Britain	Holding Company	100% (indirect)
MHG Senior Borrower Limited	Great Britain	Holding Company	100% (indirect)
Raglan Real Estate	Great Britain	Holding Company	100% (indirect)
Westone Hotel Acquisition Company	Great Britain	Holding Company	100% (indirect)
Claridge's Hotel Limited	Great Britain	Hotel Operations	100% (indirect)
Claridge's Hotel Holdings Limited	Great Britain	Holding Company	100% (indirect)
Brook Street 1 Limited	Great Britain	Holding Company	100% (indirect)
Brook Street 2 Limited	Great Britain	Holding Company	100% (indirect)
The Berkeley Hotel Limited	Great Britain	Hotel Operations	100% (indirect)
The Connaught Hotel Limited	Great Britain	Hotel Operations	100% (indirect)
Connaught F&B Limited	Great Britain	Food and Beverage Operations	100% (indirect)
Maybourne Hotels Limited	Great Britain	Management Services Company	100% (indirect)
Goldrange Properties Limited	Great Britain	Ownership of property	100% (indirect)

The registered office of all subsidiary undertakings is 41 – 43 Brook Street, Mayfair, London, W1K 4HJ.

(g) Related party transactions

The Company has a related party relationship with its fellow group undertakings, shareholders and directors of the company. In accordance with FRS 101, the Company has availed of the exemption from disclosing transactions with members of the Group.

There are no other related party transactions.

(h) Transition to FRS 101

The Company transitioned to FRS 101 from 1 January 2014. The impact on transition related to convertible loan stock and employee benefits. See note 24 for details.

24 Transition to IFRS

As stated in note 2, these are the Group's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening IFRS balance sheet at 1 January 2014 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with UK GAAP (previous GAAP). An explanation of how the transition from previous GAAP to IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

The key adjustments on transition to IFRS relate to:

(a) Retirement benefit obligations
(b) Amortisation of goodwill
(c) Convertible loan notes
(d) Derivatives
(e) Capital gains tax liabilities; and
(f) Retained earnings

The key impacts of these adjustments include:

- A reduction in equity of £23.007 million at 1 January 2014; and
- A decrease of £15.316 million in the profit for the year ended 31 December 2014.

24 Explanation of transition to IFRS *(continued)*

Reconciliation of income statement for year ended 31 December 2014

	Note	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Continuing operations				
Revenue		152,565	-	152,565
Cost of sales	(a)	(52,803)	(26)	(52,829)
Gross profit		99,762	(26)	99,736
Administrative expenses	(a)	(44,043)	(382)	(44,425)
Depreciation and amortisation	(b)	(8,701)	539	(8,162)
Operating profit		47,018	131	47,149
Finance income	(a)	1,227	(1,020)	207
Finance costs	(c),(d)	(37,424)	(14,971)	(52,395)
Net finance costs		(36,197)	(15,991)	(52,188)
Profit before tax		10,821	(15,860)	(5,039)
Income tax expense		(552)	544	(8)
Profit/(loss) for year		10,269	(15,316)	(5,047)

24 Explanation of transition to IFRS *(continued)*

Reconciliation of other comprehensive income for year ended 31 December 2014

	Note	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Profit/(loss) for the year		10,269	(15,316)	(5,047)
Items that will not be reclassified to profit and loss:				
Remeasurements of defined benefit liability	(a)	(7,824)	1,428	(6,396)
Tax on remeasurements of defined benefit liability	(a)	1,565	(286)	1,279
Other comprehensive income, net of tax		(6,259)	1,142	(5,117)
Total comprehensive income/(loss) for the year		4,010	(14,174)	(10,164)

24 Explanation of transition to IFRS *(continued)*

Balance sheet as at 31 December 2014

	Note	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Non-current assets				
Property, plant and equipment		740,125	-	740,125
Intangible assets		4,051	-	4,051
Goodwill	*(b)*	5,030	539	5,569
Total non-current assets		749,206	539	749,745
Current assets				
Trade and other receivables		15,889	-	15,889
Inventories		3,300	-	3,300
Cash and cash equivalents		25,794	-	25,794
Deferred tax asset	*(a)(d)*	4,756	363	5,119
Derivatives	*(d)*	-	3,065	3,065
Total current assets		49,739	3,428	53,167
Total assets		798,945	3,967	802,912
Equity				
Share capital		2	-	2
Share premium		145,010	-	145,010
Convertible loans – equity component	*(c)*	-	38,795	38,795
Retained earnings	*(f)*	10,188	(75,976)	(65,788)
Total equity		155,200	(37,181)	118,019
Liabilities				
Loans and borrowings	*(d)*	536,861	4,523	541,384
Employee retirement benefits	*(a)*	418	105	523
Deferred tax	*(e)*	-	55,260	55,260
Convertible loans – liability component	*(c)*	71,945	(18,740)	53,205
Total non-current liabilities		609,224	41,148	650,372
Loans and borrowings		-	-	-
Trade and other payables		34,256	-	34,256
Deferred income		265	-	265
Total current liabilities		34,521	-	34,521
Total liabilities		643,745	41,148	684,893
Total equity and liabilities		798,945	3,967	802,912

Notes *(continued)*

24 Explanation of transition to IFRS *(continued)*

Balance sheet as at 1 January 2014

	Note	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Non-current assets				
Property, plant and equipment		733,057	-	733,057
Intangible assets		4,519	-	4,519
Goodwill		5,569	-	5,569
Employee retirement benefits	*(a)*	2,183	546	2,729
Total non-current assets		745,328	-	745,874
Current assets				
Trade and other receivables		12,486	-	12,486
Inventories		2,942	-	2,942
Cash and cash equivalents		19,715	-	19,715
Deferred tax asset		4,394	-	4,394
Derivatives	*(d)*	-	15,176	15,176
Total current assets		39,537	15,176	54,713
Total assets		784,865	15,722	800,587
Equity				
Share capital		2	-	2
Share premium		145,010	-	145,010
Convertible loans – equity component	*(c)*	-	38,795	38,795
Retained earnings	*(f)*	6,178	(61,802)	(55,624)
Total equity		151,190	(23,007)	128,183
Liabilities				
Loans and borrowings	*(d)*	533,196	6,032	539,228
Deferred tax	*(a)(e)*	-	55,806	55,806
Convertible loans – liability component	*(c)*	71,299	(23,109)	48,190
Total non-current liabilities		604,495	38,729	643,224
Loans and borrowings		-	-	-
Trade and other payables		29,038	-	29,038
Deferred income		142	-	142
Total current liabilities		29,180	-	29,180
Total liabilities		633,675	38,729	672,404
Total equity and liabilities		784,865	15,722	800,587

24 Explanation of transition to IFRS *(continued)*

The key adjustments on transition to IFRS relate to:

(a) Retirement benefit obligations

Under UK GAAP, the defined benefit interest cost was based on the discount rate for the obligation and the defined benefit interest income was based on the expected return on plan assets with the net amount recognised as either finance income or expense as appropriate. On transition to IFRS, the net interest recognised in the income statement is based on the discount rate for the net obligation. This resulted in a reclassification of £1.020 million from finance income to other comprehensive income. Under UK GAAP, administrative expenses were allowed for by reducing the expected return on scheme assets assumption in other comprehensive income. Under IFRS, administrative expenses are included in the income statement. This resulted in a reclassification of £0.382 million from other comprehensive income to administrative expenses.

Separately, the defined benefit pension obligation is shown net of deferred tax under UK GAAP, versus gross of deferred tax under IFRS, resulting in a reclassification of the related deferred tax. An amount of £546,000 was reclassified to non-current assets and liabilities at 1 January 2014 and £105,000 was reclassified to current assets and liabilities at 31 December 2014.

(b) Amortisation of goodwill

Under UK GAAP the company amortised Goodwill on a systematic basis over a useful life of 20 years. Under IFRS goodwill is not amortised but is tested annually for impairment. Goodwill amortised in 2014 of £539,000 has been reversed on transition to IFRS.

(c) Convertible loan notes

Under UK GAAP the company held convertible loan notes at amortised cost of £64.6 million and accrued interest at 1%. On conversion to IFRS the company was required to fair value these convertible loan notes and accrue interest at a market rate. The impact of this adjustment on conversion to IFRS was to reduce opening reserves at 1 January 2014 by £15.686 million, increase equity by £38.795 million to reflect the fair value of the conversion feature of the loans and to reduce non-current liabilities by £23.109 million. An amount of £5.015 million has been charged to finance costs for the year ended 31 December 2014 which represents deemed market interest on the respective loan notes. The UK GAAP charge for the year ended 31 December 2014 of £646,000 has been reversed.

(d) Derivatives

In accordance with UK GAAP the costs incurred by the group in relation to derivatives were offset against borrowings and amortised to the income statement over the period of the borrowings. On transition to IFRS these derivatives were required to be recognised at their fair value. No portion of the derivatives qualified for hedge accounting and so the fair values have been recognised in the income statement. The impact of this adjustment on conversion to IFRS was to increase opening reserves at 1 January 2014 by £9.144 million being the fair market value of the derivatives at 1 January 2014 of £15.176 million less the UK GAAP amortised cost of the derivatives of £6.032 million. During the year ended 31 December 2014 the derivative asset value reduced by £12.111 million, this reduction was reflected in finance costs in the income statement. Offset against this amount was £1.509 million relating to the UK GAAP amortisation of the cost of the derivatives.

Separately under IFRS a deferred tax asset of £258,000 arises as there is a difference between the accounting and the tax treatment of the derivatives. This asset was recognised at 31 December 2014.

24 Explanation of transition to IFRS *(continued)*

(e) Capital Gains Tax liability

In accordance with UK GAAP deferred tax was not provided on the difference between the carrying value and the tax base of property, plant and equipment as this tax would only become payable if the assets are sold and rollover relief is not obtained. The estimated amount of tax payable at 1 January 2014 in these circumstances was £55.260 million.

In accordance with IFRS, deferred tax is recognised in respect of all temporary differences, including revaluation movements on property, plant and equipment. The hotel properties are held in subsidiaries that have held them prior to the acquisition of the relevant subsidiaries by Coroin Limited in 2005. Therefore, the tax base is driven by the acquisition of the property by the subsidiary as opposed to the acquisition of the subsidiary by Coroin. As Coroin does not have a policy of revaluing property plant and equipment to open market value the deferred tax liability of £55.260 million on transition to IFRS has been recognised in retained earnings with all movements in the liability being recognised in the income statement.

(f) Retained earnings - summary

		31 December 2014 £'000	1 January 2014 £'000
Previous GAAP		10,188	6,178
Goodwill	(b)	539	-
Convertible loan notes	(c)	(20,055)	(15,686)
Derivatives	(d)	(1,200)	9,144
Capital gains tax liability	(e)	(55,260)	(55,260)
Movement		(75,976)	(61,802)
IFRS		(65,788)	(55,624)

25 Approval of financial statements

The financial statements were approved by the directors on 16 September 2016.