

Company Registration No. 09300948 (England and Wales)

SOF-10 STARLIGHT 12 OPERATIONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



SOF-10 STARLIGHT 12 OPERATIONS LIMITED

COMPANY INFORMATION

Directors	Mr J C Bradshaw Mr N M Chadwick
Secretary	London Registrars Ltd
Company number	09300948
Registered office	One Eagle Place St James's London SW1Y 6AF
Auditor	Deloitte LLP London United Kingdom
Accountants	French Duncan LLP Chartered Accountants 133 Finnieston Street Glasgow G3 8HB

SOF-10 STARLIGHT 12 OPERATIONS LIMITED

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SOF-10 STARLIGHT 12 OPERATIONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and audited financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the company continued to be that of the running of an apart hotels business on Warwick Road, W2, London.

During the year ended 31 December 2019, the company acquired the landlord's freehold interest in the hotel property from a fellow group company.

Directors

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

Ms S Broughton (resigned 29.10.2020)
Mr J C Bradshaw
Mr N M Chadwick

Going concern

The directors believe it is appropriate to prepare the financial statements on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future and for at least the next 12 months.

In formulating this assessment the directors have taken into consideration the potential impact of the current global COVID-19 pandemic upon the company and have carried out forecasts which indicate that the company should be able to continue as a financial and operational going concern. This is on the basis of a strong financial performance in 2019, which generated sufficient reserves to keep the company liquid during 2020, in the face of significant short-term decreases in turnover and profits caused by the pandemic, and an assumed return to generating positive cash flows before debt repayments by the second quarter of 2021.

The extent of the impact of the COVID-19 outbreak on the company's ability to continue as a going concern will depend on future developments, including the duration and spread of the outbreak, related advice and restrictions, the impact of COVID-19 on the hotel and travel industry and the overall economy, all of which are highly uncertain and cannot be predicted. In the event of greater COVID-19 disruption, the directors would seek, and believe that the company would have the ability to raise, additional finance from its investors if required although there can be no certainty about this.

The directors note that the above matters create a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and it may be unable to realise its assets and discharge its liabilities in the normal course of the business.

Post balance sheet events

On 11 March 2020, the World Health Organisation declared the novel strain of Coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. This has resulted in a significant short-term decrease in turnover and profits following the temporary closure of the company's hotel, between 23 March 2020 and 4 July 2020, on the guidance of the UK Government. Revenue between re-opening on 4 July 2020 and the signing of the accounts has been materially below 2019 levels. This is a fast moving situation and the overall impact on the hotel and travel industry, and the economy is still unclear. If the hotel and travel industry and/or the overall economy are impacted for an extended period, the company's profits may be materially adversely affected. This may cause a reduction in the value of the company's assets in 2020.

Auditor

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 487 of the Companies Act 2006.

SOF-10 STARLIGHT 12 OPERATIONS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

No strategic report has been prepared as the company is a small company and as such the small companies exemption S414B of the Companies Act 2006 applies.

Approved by the board and signed on its behalf by:



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Mr N M Chadwick

Director

Date: 11 December 2020

SOF-10 STARLIGHT 12 OPERATIONS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SOF-10 STARLIGHT 12 OPERATIONS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SOF-10 STARLIGHT 12 OPERATIONS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of SOF-10 Starlight 12 Operations Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income
- the statement of financial position
- the statement of changes in equity
- the related notes 1 to 20

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty related to going concern

We draw attention to note 1.2 in the financial statements which indicates that the directors have assumed a return to generating positive cash flows before debt repayments by the second quarter of 2021. In the event of greater COVID-19 disruption, the directors believe that the company would have the ability to raise additional finance from its investors if required although there can be no certainty about this. As stated in note 1.2, these events or conditions, along with other matters as set forth in note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

SOF-10 STARLIGHT 12 OPERATIONS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SOF-10 STARLIGHT 12 OPERATIONS LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

SOF-10 STARLIGHT 12 OPERATIONS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SOF-10 STARLIGHT 12 OPERATIONS LIMITED

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

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.



Timothy Steel (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
Date 11 December 2020

SOF-10 STARLIGHT 12 OPERATIONS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover		15,416,839	7,259,178
Cost of sales		(5,037,551)	(2,530,622)
Gross profit		10,379,288	4,728,556
Administrative expenses		(8,656,912)	(8,270,575)
Operating profit/(loss)	3	1,722,376	(3,542,019)
Interest receivable and similar income		125,032	-
Interest payable and similar expenses	6	(4,155,426)	(1,383,822)
Loss before taxation		(2,308,018)	(4,925,841)
Tax on loss	7	157,606	223,836
Loss for the financial year		(2,150,412)	(4,702,005)
Total comprehensive expense for the year		(2,150,412)	(4,702,005)

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2019 (2018: £NIL).

The results are from continuing activities.

SOF-10 STARLIGHT 12 OPERATIONS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
Fixed assets			
Intangible assets	8	1,201,041	9,133,346
Tangible assets	9	130,534,728	158,194
		<u>131,735,769</u>	<u>9,291,540</u>
Current assets			
Stocks		3,445	5,676
Debtors	11	827,755	2,618,227
Cash at bank and in hand		2,913,187	3,365,381
		<u>3,744,387</u>	<u>5,989,284</u>
Creditors: amounts falling due within one year	12	<u>(61,241,801)</u>	<u>(12,104,076)</u>
Net current liabilities		<u>(57,497,414)</u>	<u>(6,114,792)</u>
Total assets less current liabilities		<u>74,238,355</u>	<u>3,176,748</u>
Creditors: amounts falling due after more than one year	13	(67,085,273)	(17,651,460)
Provisions for liabilities	15	(1,196,622)	(1,354,228)
Net assets/(liabilities)		<u>5,956,460</u>	<u>(15,828,940)</u>
Capital and reserves			
Called up share capital	16	1	1
Share premium account		22,843,056	-
Other reserves		2,670,436	1,577,680
Profit and loss reserves		(19,557,033)	(17,406,621)
Total equity		<u>5,956,460</u>	<u>(15,828,940)</u>

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

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



Mr N M Chadwick

Director

11 December 2020

Company Registration No. 09300948

SOF-10 STARLIGHT 12 OPERATIONS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital	Share premium account	Other reserves	Profit and loss reserves	Total
		£	£	£	£	£
Balance at 1 January 2018		1	-	1,577,680	(12,704,616)	(11,126,935)
Year ended 31 December 2018:						
Loss and total comprehensive expense for the year		-	-	-	(4,702,005)	(4,702,005)
Balance at 31 December 2018		1	-	1,577,680	(17,406,621)	(15,828,940)
Year ended 31 December 2019:						
Loss and total comprehensive expense for the year		-	-	-	(2,150,412)	(2,150,412)
Discount on issue of debt	13	-	-	1,092,756	-	1,092,756
Issue of ordinary shares	16	-	22,843,056	-	-	22,843,056
Balance at 31 December 2019		1	22,843,056	2,670,436	(19,557,033)	5,956,460

SOF-10 STARLIGHT 12 OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

SOF-10 Starlight 12 Operations Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The registered office is One Eagle Place, St James's, London, SW1Y 6AF. Its principal place of business is 181-183 Warwick Road, London, W14 8PU.

The continuing activity of the Company is the running of an aparthotel business in London, United Kingdom.

1.1 Accounting convention

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

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

The Company has taken advantage of the exemption provided by FRS 102 section 33, related party disclosures paragraph 33.1A, not to disclose transactions with group companies on the grounds that the companies are wholly owned subsidiaries.

The following principal accounting policies have been applied:

1.2 Going concern

The directors believe it is appropriate to prepare the financial statements on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future and for at least the next 12 months.

In formulating this assessment the directors have taken into consideration the potential impact of the current global COVID-19 pandemic upon the company and have carried out forecasts which indicate that the company should be able to continue as a financial and operational going concern. This is on the basis of a strong financial performance in 2019, which generated sufficient reserves to keep the company liquid during 2020, in the face of significant short-term decreases in turnover and profits caused by the pandemic, and an assumed return to generating positive cash flows before debt repayments by the second quarter of 2021.

The extent of the impact of the COVID-19 outbreak on the company's ability to continue as a going concern will depend on future developments, including the duration and spread of the outbreak, related advice and restrictions, the impact of COVID-19 on the hotel and travel industry and the overall economy, all of which are highly uncertain and cannot be predicted. In the event of greater COVID-19 disruption, the directors would seek, and believe that the company would have the ability to raise, additional finance from its investors if required although there can be no certainty about this.

The directors note that the above matters create a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and it may be unable to realise its assets and discharge its liabilities in the normal course of the business.

SOF-10 STARLIGHT 12 OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and others sales taxes.

Turnover from room sales and other guest services is recognised when rooms are occupied and as services are provided.

All turnover is derived in the UK.

1.4 Intangible fixed assets

Intangible assets comprise of goodwill and interests in operating leased property which were initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The Company reviews the carrying value of its intangible assets on an annual basis. If the carrying value of the intangible assets is greater than the recoverable amount, the carrying value is reduced through a charge to the Statement of Comprehensive Income in the period of impairment.

1.5 Tangible fixed assets

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

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Buildings	2% straight line
Land	-
Fixtures and fittings	20% straight line
Computers	20% straight line

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

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Debtors

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

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

SOF-10 STARLIGHT 12 OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash at bank and in hand

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 3 months. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.9 Financial instruments

The Company has chosen to adopt Section 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what would have been the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from related parties, are initially recognised at transaction cost unless the arrangement constitutes a financing transaction, in which case the financial liability is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as the prepayment for liquidity services and amortised over the period of the facility to which it relates.

SOF-10 STARLIGHT 12 OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.10 Creditors

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

1.11 Taxation

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

Current tax

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

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

SOF-10 STARLIGHT 12 OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.12 Provisions

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

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation and are measured as a best estimate at the Balance Sheet date of the expenditure required to settle the obligation taking into account relevant risks and uncertainties.

When payments were eventually made they are charged to the provision in the statement of financial position.

1.13 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at the constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.14 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

1.15 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. There are no critical judgements and the key sources of estimation are:

Impairment of tangible assets

Where there are indicators of impairment of tangible fixed assets the company performs impairment tests based on recent professional valuations where available for land and buildings or value in use calculations. The value in use calculation is based upon budgets for the year ending 31 December 2020 and plans for the company in the foreseeable future. The recoverable amount is most sensitive to expected future cash flows and the discount rate is a source of estimation uncertainty.

3 Operating profit/(loss)

	2019	2018
	£	£
Operating profit/(loss) for the year is stated after charging/(crediting):		
Exchange losses/(gains)	(14,385)	(366)
Depreciation of tangible fixed assets	1,213,022	29,052
Amortisation of intangible assets	1,000,903	1,509,621
Defined contribution pension cost	16,416	9,812
Operating lease charges	<u>2,289,964</u>	<u>3,682,748</u>

SOF-10 STARLIGHT 12 OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

4 Auditor's remuneration

	2019	2018
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	52,000	26,666
	<u>52,000</u>	<u>26,666</u>

5 Employees

The average monthly number of persons (excluding directors) employed by the company during the year was 41 (2018 - 29).

None of the directors received any remuneration or benefits during the year (2018: None).

6 Interest payable and similar expenses

	2019	2018
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	825,610	-
Interest payable to group undertakings	2,963,902	1,242,361
	<u>3,789,512</u>	<u>1,242,361</u>
Other finance costs:		
Finance costs for financial instruments measured at fair value through profit or loss	151,188	-
Unwinding of discount on issue of loans to related parties	214,726	141,461
	<u>4,155,426</u>	<u>1,383,822</u>

SOF-10 STARLIGHT 12 OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

7 Taxation

	2019 £	2018 £
Deferred tax		
Deferred tax on assets	(183,328)	(223,836)
Previously unrecognised timing difference	25,722	-
	<u>(157,606)</u>	<u>(223,836)</u>

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Loss before taxation	(2,308,018)	(4,925,841)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(438,523)	(935,910)
Non-tax deductible on IFA (Goodwill and impairment)	6,843	62,992
Non-taxable income	(23,756)	-
Other expenses not deductible for tax purposes	986,379	268,182
Group relief surrendered	196,359	-
Tax losses carried forward	-	383,787
Capital allowances for year in excess of depreciation	(158,992)	-
Relief for losses brought forward	(725,916)	-
	<u>(157,606)</u>	<u>(223,836)</u>

At the 2018 Balance Sheet date, the Company had an unrecognised potential deferred tax asset of £1,370,842, which represented losses carried forward to be utilised against profits from the same trade. The deferred tax asset was not recognised in the financial statements in 2018 as it was uncertain whether the Company would generate sufficient profits in the foreseeable future to utilise these losses. The deferred tax asset recognised as at 31 December 2019 is disclosed in note 15.

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%.

SOF-10 STARLIGHT 12 OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

8 Intangible fixed assets

	Goodwill	Other intangibles	Total
	£	£	£
Cost			
At 1 January 2019	2,378,256	12,717,946	15,096,202
Transfers to tangible fixed assets	-	(12,717,946)	(12,717,946)
At 31 December 2019	2,378,256	-	2,378,256
Amortisation and impairment			
At 1 January 2019	939,389	5,023,466	5,962,855
Amortisation charged for the year	237,826	763,077	1,000,903
Transfers to tangible fixed assets	-	(5,786,543)	(5,786,543)
At 31 December 2019	1,177,215	-	1,177,215
Carrying amount			
At 31 December 2019	1,201,041	-	1,201,041
At 31 December 2018	1,438,866	7,694,480	9,133,346

Amortisation of intangible fixed assets is included in administrative expenses.

The other intangibles relate to the amount paid to acquire the business and operating lease interest in the property in which the business operates from a fellow group company. It has the carrying value of £NIL (2018 - £7,694,480). The other intangibles balance was transferred to tangible fixed assets when the landlords interest was acquired and the lease was cancelled.

Goodwill arose on the acquisition of the business in 2015. A deferred tax liability was recorded in relation to timing differences on the lease premium and accordingly an amount of goodwill arose on the acquisition of the business. The goodwill is being amortised over 10 years.

SOF-10 STARLIGHT 12 OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

9 Tangible fixed assets

	Buildings	Land	Fixtures and fittings	Computers	Total
	£	£	£	£	£
Cost					
At 1 January 2019	-	-	72,823	121,269	194,092
Additions	96,053,796	24,013,449	4,576,824	14,083	124,658,152
Transfers from intangible assets	5,545,123	1,386,281	-	-	6,931,404
At 31 December 2019	101,598,919	25,399,730	4,649,647	135,352	131,783,648
Depreciation and impairment					
At 1 January 2019	-	-	7,076	28,822	35,898
Depreciation charged in the year	801,657	-	385,718	25,647	1,213,022
At 31 December 2019	801,657	-	392,794	54,469	1,248,920
Carrying amount					
At 31 December 2019	100,797,262	25,399,730	4,256,853	80,883	130,534,728
At 31 December 2018	-	-	65,747	92,447	158,194

The company acquired the landlord's freehold interest in the property on 9 August 2019 from a fellow group company for £124.3m and accordingly the depreciated cost of the leasehold interest was transferred from intangible fixed assets to tangible fixed assets.

10 Financial instruments

	2019	2018
	£	£
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
Derivative financial instruments	111,397	-

11 Debtors

	2019	2018
	£	£
Amounts falling due within one year:		
Trade debtors	135,073	318,978
Amounts owed by group undertakings	325,036	2,022,575
Other debtors	71,715	36,331
Prepayments and accrued income	295,931	240,343
	827,755	2,618,227

Included in debtors are intercompany balances of £325,036 (2018: £2,022,575). No interest has been charged in respect of this balance and the total is repayable on demand.

SOF-10 STARLIGHT 12 OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

12 Creditors: amounts falling due within one year

	Notes	2019 £	2018 £
Bank loans and overdrafts	14	58,773,115	-
Trade creditors		60,744	199,456
Amounts owed to group undertakings		699,493	10,795,360
Other taxation and social security		504,940	214,338
Derivative financial instruments		111,397	-
Other creditors		179,110	115,160
Accruals and deferred income		913,002	779,762
		<u>61,241,801</u>	<u>12,104,076</u>

Included in creditors are intercompany balances of £699,493 (2018: £10,795,360). No interest has been charged in respect of this balance and the total is repayable on demand.

13 Creditors: amounts falling due after more than one year

	2019 £	2018 £
Amounts owed to group undertakings	<u>67,085,273</u>	<u>17,651,460</u>

Included within creditors falling after more than one year are amounts totalling £67,085,273 (2018 - £17,651,460) in respect of four loans, two non-interest bearing loans of £4,210,427 (2018 - £2,386,865) and two interest bearing loans of £62,874,846 (2018 - £15,264,594), owed to group undertakings. These amounts are not wholly repayable within 5 years and are repayable other than by instalments. The amounts repayable after 5 years will be £67,085,273 (2018 - £17,651,460).

These loans are unsecured, bear interest at a rate of 0% and 12% respectively, and are repayable over a period of ten years.

During the period, interest £2,963,902 (2018 - £1,242,361) was charged on the interest bearing loans. At the statement of financial position date amounts owed to group undertakings due after more than one year includes £16,409,058 (2018 - £4,911,582) in relation to this outstanding interest. During the period, an interest bearing loan owed to group companies of £36,112,776 and accrued interest of £11,383,577 were transferred to the Company as part of the acquisition of the landlord's freehold interest in the hotel property from a fellow group company.

The non-interest bearing loan issued during the current period was recorded at fair value on issue and the discount between fair value and proceeds of £1,092,756 was recorded in other reserves. The total discount between fair value and proceeds recorded in other reserves as at 31 December 2019 was £2,670,436 (2018 - £1,577,680). During the period, interest of £214,726 (2018 - £141,461) was charged on the unwinding of the discount to the two interest free loans.

SOF-10 STARLIGHT 12 OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

14 Loans and overdrafts

	2019 £	2018 £
Bank loans	58,773,115	-
Payable within one year	58,773,115	-

Included within creditors falling due within one year are amounts totalling £58,820,533 in respect of a loan owed to a financial institution, less £47,418 of unamortised finance costs. The bank loan was repayable on 27 March 2020, which was extended on 23 March 2020 to 23 March 2022. The loan is secured on the freehold property and bears interest at a rate of LIBOR plus 2.75%. The company had entered into an interest rate swap agreement until 27 March 2020, swapping the interest rate for a fixed interest rate of 3.50%. Subsequently the company purchased an interest rate cap, capping the variable LIBOR rate at 1.00%.

During the period, interest of £825,610 was charged on the interest bearing loan.

15 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2019 £	Liabilities 2018 £
Balances:		
Accelerated capital allowances	25,722	-
Tangible assets	1,170,900	-
Intangible assets	-	1,354,228
	<u>1,196,622</u>	<u>1,354,228</u>
Movements in the year:		2019 £
Liability at 1 January 2019		1,354,228
Credit to profit or loss		(157,606)
Liability at 31 December 2019		<u>1,196,622</u>

SOF-10 STARLIGHT 12 OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

16 Called up share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
1,001 (2018: 1,000) Ordinary Shares of £0.001 each	1	1

During the year the company issued 1 additional ordinary share, with a nominal value of £0.001, for £22,843,056.

17 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

	2019	2018
	£	£
Within one year	-	3,682,748
Between two and five years	-	14,730,993
In over five years	-	3,864,363
	-	22,278,104

During the year the company acquired the landlord's freehold interest in the hotel property and the operating lease was cancelled.

18 Events after the reporting date

On 11 March 2020, the World Health Organisation declared the novel strain of Coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. This has resulted in a significant short-term decrease in turnover and profits following the temporary closure of the company's hotel, between 23 March 2020 and 4 July 2020, on the guidance of the UK Government. Revenue between re-opening on 4 July 2020 and the signing of the accounts has been materially below 2019 levels. This is a fast moving situation and the overall impact on the hotel and travel industry, and the economy is still unclear. If the hotel and travel industry and/or the overall economy are impacted for an extended period, the company's profits may be materially adversely affected. This may cause a reduction in the value of the company's assets in 2020.

19 Contingent liabilities

A fixed and floating charge exists over the trade and assets of the company in respect of the borrowings of SOF-10 Think Hotels Lux Sarl, the immediate parent undertaking, and its subsidiary undertakings. The maximum potential liability at 31 December 2019 was £36,598,530 (2018 - £114,700,000).

SOF-10 STARLIGHT 12 OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

20 Parent undertakings and controlling party

The immediate parent company and smallest group which prepares consolidated financial statements, which includes the results of the company, is SOF-10 Think Hotels Lux Sarl, a company registered and incorporated in Luxembourg. Copies of the company's financial statements can be obtained from 2-4 Rue Eugene Ruppert, L-2453, Luxembourg, its registered address.

The ultimate parent company and largest group which prepares consolidated financial statements, which includes the results of the company, is SOF-X International Holding LP, a partnership incorporated in the USA. The registered address of the partnership is Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801.

The ultimate controlling party is SOF-10 Think Lux Sarl, a company registered and incorporated in Luxembourg. The registered office of the company is 2-4 Rue Eugene Ruppert, L-2453, Luxembourg.