Registration number: 09861398
(England and Wales)

Lapithus Hotels Management UK Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2017

Lapithus Hotels Management UK Limited

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Lapithus Hotels Management UK Limited

Company Information

Directors

S Collins
PT Mabry (resigned 9 May 2018)
JB Robinson (resigned 25 June 2018)
SM Teasdale

Company secretary

Haysmacintyre Company Secretaries Limited
10 Queen Street Place
London
EC4R 1AG

Company number

09861398

Registered office

10 Queen Street Place
London
EC4R 1AG

Auditors

Deloitte LLP
Statutory Auditor
London

Lapithus Hotels Management UK Limited

Strategic Report
For the year ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017.

Principal activity
The principal activity of the company is to provide management services and parent undertaking to a group of subsidiaries (together the "group") owning and operating hotels in the United Kingdom.

Fair review of the business
On 1 December 2015, the group acquired Ribbon Finance Limited (Formerly LRG Finance Limited) and the portfolio of 22 hotels it held from LRG Holdings Limited. In a back to back deal London LRG Hotel Limited, one of the acquired subsidiaries, was immediately sold to Queensgate Bow UK Holdco Limited by an intermediate subsidiary. On 30 September 2016 one of the subsidiaries sold the leasehold interest in Holiday Inn Mayfair to Berkeley Street Mayfair Hotel Limited. The comparative numbers are from date of incorporation and reflect a 14-month period.

On 4 April 2018 the sale of 100% equity interest in the Company to UK Investment Company 210 completed. Refer to note 28 for subsequent events.

The hotels in the group operate under a franchise agreement with InterContinental Hotels Group PLC ("IHG"). Lapithus Hotels Management UK Limited managed the company's portfolio of hotels on a central basis under a management contract at the period end.

The directors were satisfied with the trading performance of 2017 and believe that in 2018 the group will benefit from continued improvement in the underlying economy and demand for hotels in the UK, boosted by planned capital injections and refurbishment of assets throughout the year. The directors continue to monitor potential impact to the business as a result of the exit of Britain from the European Union, and mitigate any risks as they arise.

Principal risks and uncertainties and risk management objectives and policies
Principal risks and uncertainties arising from the financial instruments held by the group and risk management objectives and policies are disclosed in note 25 to the consolidated financial statements.

Price risk
The group is exposed to the inherent risk of economic and financial market developments, including recession, inflation, availability of affordable credit and currency fluctuations that could lower revenues and reduce income. A recession reduces leisure and business travel and adversely affects room rates and/or occupancy levels and other income generating activities, resulting in deterioration of results of operations and potentially reducing the value of properties in affected economies. Through a continual business review process and monitoring of the business environment, together with the terms and the services standards required of IHG under the franchise agreement, the directors of the company and the wider group seek to mitigate these potential risks.

Lapithus Hotels Management UK Limited

Strategic Report
For the year ended 31 December 2017 (continued)

Key performance indicators
Total revenue for the year from continuing operations was £182.9m (12-month period in 2016: £177.1m), representing an increase of 3.2%. Management's emphasis is on increasing occupancy, RevPAR and total room revenue. In 2017 occupancy increased to 84.52% (12-month period in 2016: 83.47%), RevPAR increased to £72.53 (12-month period in 2016: £70.25) and total room revenue increased to £128.1m (12-month period in 2016: £124.5m).

Approved by the Board on 30 June 2018 and signed on its behalf by:

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SM Teasdale
Director

Lapithus Hotels Management UK Limited

Directors' Report

For the year ended 31 December 2017

The directors present their report and the consolidated financial statements for the year ended 31 December 2017. The profit for the year from continuing operations after taxation was £5.7m (14-month period in 2016: £2.8m).

Future developments

The trading environment is expected to remain broadly unchanged during 2018 and the group will seek to improve revenue whilst continuing to review the underlying cost base.

On 4 April 2018 the sale of 100% equity interest in the company to UK Investment Company 210 Limited completed. Refer to note 28 subsequent events for changes to the group's external financing liabilities.

Going concern

The trading results for the period and the group's financial position at the end of the period are shown in the attached financial statements. The directors have concluded that the group is a going concern, please refer to note 2.

Dividends

The directors do not recommend a dividend for the current period. No dividend was paid in the current or prior period.

Directors' of the group

The directors, who held office during the year, were as follows:

S Collins
PT Mabry (resigned 9 May 2018)
JB Robinson (resigned 25 June 2018)
SM Teasdale

Directors' liabilities

The group maintains liability insurance for its directors and officers.

Political and charitable contributions

The group made no political or charitable contributions or incurred any political expenditure during the current or prior period.

Employee involvement

Lapithus Hotels Management UK Limited managed the operations of the group on a central basis under a management agreement at the year end. The group relies on the terms of the management agreement, as regards employees, in that the management company shall take all steps to enable the group to comply with any obligations it may have. As such, the employment policies in place embody the principles of equal opportunity. This includes suitable procedures to support the policy that individuals should not be discriminated against on the basis of race, disability, age, gender, sexuality or religion and that they should be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities. The value of employee involvement in effective communications is recognised, as is the need for their contribution to decision making on matters affecting their jobs. To achieve employee involvement at the most relevant level, there is a framework in place for consultation and information.

Creditor payment policy

The group agrees commercial terms with suppliers (including payment terms) and, if performance accords with these terms, aims to abide by the agreed payment arrangements.

Lapithus Hotels Management UK Limited

Directors' Report

For the year ended 31 December 2017 (continued)

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Reappointment of auditors

The auditors Deloitte LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 30 June 2018 and signed on its behalf by:

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SM Teasdale
Director

Lapithus Hotels Management UK Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Group financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the applicable 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.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

Lapithus Hotels Management UK Limited

Independent Auditor's Report to the Members of Lapithus Hotels Management UK Limited

Report on the audit of the financial statements

Opinion
In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Lapithus Hotels Management UK Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated income statement;
- the consolidated and company statements of financial position;
- the consolidated and company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 28.

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 European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent Auditor's Report to the Members of Lapithus Hotels Management UK Limited (continued)

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 statement of directors' responsibilities, 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 group's and the parent 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 group or the parent 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Independent Auditor's Report to the Members of Lapithus Hotels Management UK Limited (continued)

Report on other legal and regulatory requirements

Opinion on other matter 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

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 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.

We have nothing to report in respect of these matters.

Helen Burridge

Helen Burridge (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor

London
3 July 2018

Lapithus Hotels Management UK Limited

Consolidated Income Statement
For the year ended 31 December 2017

Continuing operations	Note	12-month period ended 2017 £ 000	14-month period ended 2016 £ 000
Revenue	4	182,936	190,883
Cost of sales		(10,770)	(12,692)
Gross profit		**172,166**	**178,191**
Distribution costs		(7,613)	(7,797)
Administrative expenses		(125,927)	(142,348)
Operating profit	5	**38,626**	**28,046**
Finance income	6	8	140
Finance costs	6	(29,922)	(32,584)
Profit/(loss) before tax		**8,712**	**(4,398)**
Tax (charge)/credit	10	(3,059)	7,179
Profit for the period from continuing operations		**5,653**	**2,781**
Discontinued operations			
Profit for the period from discontinued operations	11	-	3,564
Profit for the period		**5,653**	**6,345**
Profit attributable to:			
Owners of the company		5,653	6,345

There is no other comprehensive income for the current or prior year, therefore a statement of other comprehensive income has not been prepared.

Lapithus Hotels Management UK Limited

Consolidated Statement of Financial Position

At 31 December 2017

	Note	2017 £ 000	2016 £ 000
Assets			
Non-current assets			
Property, plant and equipment	12	582,069	593,965
Intangible assets	13	54,189	54,189
		636,258	648,154
Current assets			
Inventories	15	387	408
Trade and other receivables	16	12,949	13,678
Income tax asset		819	384
Cash and cash equivalents	17	41,323	30,421
		55,478	44,891
Total assets		**691,736**	**693,045**
Equity and liabilities			
Equity			
Share capital	18	1,034	1,034
Share premium		102,312	102,312
Retained earnings		11,998	6,345
Equity attributable to owners of the company		115,344	109,691
Non-current liabilities			
Loans and borrowings	19	-	508,946
Deferred tax liabilities	20	43,613	44,314
		43,613	553,260
Current liabilities			
Trade and other payables	23	26,664	25,403
Loans and borrowings	19	506,115	4,691
		532,779	30,094
Total liabilities		**576,392**	**583,354**
Total equity and liabilities		**691,736**	**693,045**

Approved by the Board on 30 June 2018 and signed on its behalf by:

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SM Teasdale
Director

Lapithus Hotels Management UK Limited

Company Statement of Financial Position
At 31 December 2017

	Note	2017 £ 000	2016 £ 000
Assets			
Non-current assets			
Property, plant and equipment	12	303	270
Investments	14	103,345	103,345
		103,648	103,615
Current assets			
Trade and other receivables	16	2,088	2,250
Cash and cash equivalents	17	5,018	4,836
		7,106	7,086
Total assets		**110,754**	**110,701**
Equity and liabilities			
Equity			
Share capital	18	1,034	1,034
Share premium		102,312	102,312
Retained earnings		(752)	(984)
Total equity		102,594	102,362
Current liabilities			
Trade and other payables	23	7,947	8,339
Income tax liability		213	-
		8,160	8,339
Total equity and liabilities		**110,754**	**110,701**

The notes on pages 16 to 48 form an integral part of these financial statements.

The company has taken advantage of section 408 of the Companies Act 2016 not to publish its own profit and loss account. The profit dealt with in the financial statements of the parent company is £0.2m (2016: loss of £1.0m).

Approved by the Board on 30 June 2018 and signed on its behalf by:

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SM Teasdale
Director

Lapithus Hotels Management UK Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2016	1,034	102,312	-	103,346
Profit for the year	-	-	6,345	6,345
Total comprehensive income	-	-	6,345	6,345
At 31 December 2016	**1,034**	**102,312**	**6,345**	**109,691**

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2017	1,034	102,312	6,345	109,691
Profit for the year	-	-	5,653	5,653
Total comprehensive income	-	-	5,653	5,653
At 31 December 2017	**1,034**	**102,312**	**11,998**	**115,344**

Company Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2016	1,034	102,312	-	103,346
Loss for the year	-	-	(984)	(984)
Total comprehensive income	-	-	(984)	(984)
At 31 December 2016	**1,034**	**102,312**	**(984)**	**102,362**

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2017	1,034	102,312	(984)	102,362
Profit for the year	-	-	232	232
Total comprehensive income	-	-	232	232
At 31 December 2017	**1,034**	**102,312**	**(752)**	**102,594**

Lapithus Hotels Management UK Limited

Consolidated Statement of Cash Flows
For the year ended 31 December 2017

	Note	12-month period ended 2017 £ 000	14-month period ended 2016 £ 000
Cash flows from operating activities			
Profit for the year		5,653	6,345
Adjustments to cash flows from non-cash items			
Depreciation	5	17,215	12,678
Gain on disposal of operations		-	(2,562)
Finance income	6	(8)	(140)
Finance costs	6	29,922	32,584
(Decrease) / increase in impairment of trade receivables		(517)	905
Income tax charge – continued operations	10	3,059	(7,179)
Income tax charge – discontinued operations	10	-	238
		55,324	**42,869**
Working capital adjustments			
Decrease in inventories	15	21	21
Decrease/(increase) in trade and other receivables	16	808	(1,658)
Increase in trade and other payables	23	922	3,136
Cash generated from operations		**57,075**	**44,368**
Income taxes paid	10	(3,858)	(312)
Net cash flow from operating activities		**53,217**	**44,056**
Cash flows from investing activities			
Interest received	6	8	140
Acquisitions of property plant and equipment		(5,319)	(3,238)
Proceeds from sale of operations		440	5,450
Net cash outflow on acquisition of subsidiaries		-	(356,361)
Net cash inflow on immediate disposal of subsidiary		-	331,458
Net cash flows used in investing activities		(4,871)	(22,551)
Cash flows from financing activities			
Proceeds from issue of share capital		-	103,346
(Repayments) / proceeds from borrowings from parent		(13,737)	88,453
Proceeds from borrowings from bank		-	429,000
Interest paid	6	(23,707)	(26,073)
Payment of debt issue costs		-	(10,286)
Payment on borrowings		-	(575,524)
Net cash from financing activities		37,444	8,916
Net increase in cash and cash equivalents		**10,902**	**30,421**
Cash and cash equivalents at 1 January		30,421	-
Cash and cash equivalents at 31 December		**41,323**	**30,421**

Notes to the Financial Statements

For the year ended 31 December 2017

1 General information

Lapithus Hotels Management UK Limited (the company) is a private company limited by share capital, incorporated and domiciled in United Kingdom under the Companies Act 2006 and registered in England. The company was incorporated on 6 November 2015 and acquired its trading subsidiaries on 1 December 2015. The address of its registered office is disclosed in the company information. The principal activity of the company and its subsidiaries (the group) is described in the Strategic Report.

2 Accounting policies

(a) Statement of compliance

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings (the group). The parent entity financial statements present information about the company as a separate entity and not about its group.

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 (FRS 101). The Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

Lapithus Hotel Management UK Limited meets the definition of a qualifying entity under FRS 101 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to the presentation of a cash flow statement and remuneration of key management personnel.

(b) Application of new and revised International Financial Reporting Standards (IFRSs)

The group and company has not applied the following new and revised IFRSs that have been issued but are not effective:

- IFRS 9 Financial Instruments[1]
- IFRS 15 Revenue from Contracts with Customers[1]
- IFRS 16 Leases[2]
- IFRS 2 Classification and measurement of share-based payment transactions
- IFRS 9 Prepayment features with negative compensation
- IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture
- IAS 28 Long-term interests in associates and joint ventures
- IFRIC 22 Foreign currency transactions and advance consideration
- IFRIC 23 Uncertainty over income tax treatments

Based on preliminary assessments the adoption of these standards, amendments and interpretations, with the exception of IFRS 16 Leases which is effective for annual periods beginning on or after 1 January 2019, is not expected to have a significant impact on either the group's or company's results, financial position or disclosures. The impact of the adoption of IFRS 16 Leases on the group and company results is under review.

2 Accounting policies (continued)

(c) Basis of preparation

The financial statements have been prepared on the historical cost basis.

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Judgements made by management in the application of adopted IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in note 3.

The presentation currency of the group and the company is pounds sterling. The functional currency of the company and its subsidiaries is pounds sterling. The financial statements are presented in thousands of pounds (£'000) unless stated otherwise.

(d) Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic and Directors' report.

The group meets its day-to-day working capital requirements from normal trading activities through its portfolio of hotels. The existing debt facility at the year end was secured until December 2018. This has been replaced with a new facility on the sale of 100% of the equity in Lapithus Hotels Management (UK) Limited in April 2018. Refer to note 28. The group's financial forecasts, taking account of the new loan terms and current trading performance, show that the group will be able to operate within the level of its current and future facilities and remain in compliance with the terms of its loan agreements.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for at least the next twelve months. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements.

(e) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries.

2 Accounting policies (continued)

(e) Basis of consolidation (continued)

Control is achieved where the company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to effect its returns. The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated income statement from the date the company gains control until the date when the company ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

(f) Investments

In the parent financial statements, investments in subsidiaries are stated at cost less provision for impairment.

(g) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2 Accounting policies (continued)

(g) Business combinations (continued)

When the consideration transferred by the group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent liabilities and contingent assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

(h) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(i) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

2 Accounting policies (continued)

(j) Revenue recognition

The revenue is primarily derived from hotel operations, including the rental of rooms and sale of food and beverage from a network of owned and leased hotels operated under the InterContinental Hotel Group's brand names.

Revenue is measured at the fair value of the consideration received or receivable excluding value added tax. Revenue is reduced for discounts and other similar allowances.

Revenue from rooms, food and beverage and other related services is recognised when the room is occupied, food and beverages are sold and other related services on the performance of services.

Rental income
The policy for recognition of revenue from operating leases is described in the leases section below.

(k) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

(l) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Parts of an item of property, plant and equipment having different useful lives are accounted for as separate items.

Leases under which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, assessed at inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset as noted below.

Freehold and long leasehold land is not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2 Accounting policies (continued)

(m) Depreciation

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold and long leasehold land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Asset class	*Depreciation method and rate*
Leasehold buildings	Over the shorter of 50 years and their remaining lease period
Freehold buildings	Periods up to 50 years
Short leasehold land	Over the shorter of 50 years and their remaining lease period
Non-core assets (including buildings surface finishes and services)	Periods up to 25 years
Plant & machinery	Between 5 and 15 years
Furniture and equipment	Between 3 and 20 years

(n) Impairment of non-financial assets

At the end of each reporting period, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The impairment review is performed on an income generating unit basis.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Lapithus Hotels Management UK Limited

Notes to the Financial Statements
For the year ended 31 December 2017 (continued)

2 Accounting policies (continued)

(o) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value.

The group and company's non-derivative financial instruments include loans and receivables and other financial liabilities.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments. These include:

Trade and other receivables
Trade and other receivables are initially recognised at fair value, based upon discounted cash flows at prevailing interest rates for similar instruments, or at their nominal amount less impairment losses if due in less than 12 months. Subsequent to initial recognition, trade and other receivables are valued at amortised cost less impairment losses.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. The cash and cash equivalents are stated at their nominal values, as this approximates to amortised cost.

Other financial liabilities
Other financial liabilities (including loans and borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

Loans and borrowings
These are initially recognised at fair value, based upon the nominal amount outstanding. Subsequent to initial recognition, they are recorded at amortised cost. Borrowing costs arising on bank borrowings are expensed as incurred within financial expense using the effective interest method.

Trade and other payables
Trade and other payables are initially recognised at fair value, based upon the nominal amount outstanding. Subsequent to initial recognition, they are recorded at amortised cost.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets
Financial assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. These financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Objective evidence of impairment could include:

2 Accounting policies (continued)

(o) Financial instruments (continued)

- default by a debtor;
- significant financial difficulty of the debtors or counterparty;
- breach of contract; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derecognition of financial assets
The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. Any interest in such transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

Derecognition of financial liabilities
The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2 Accounting policies (continued)

(o) Financial instruments (continued)

Fair value measurement
Fair value disclosures are required for financial assets and liabilities. When measuring fair value of an asset or a 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 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

(q) Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts
Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. If the effect of the time value of money is material, the provision is discounted.

2 Accounting policies (continued)

(r) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The group as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The group as lessee
Assets held under finance leases are initially recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

(s) Employee benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(t) Taxation

Income 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 period. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2 Accounting policies (continued)

(t) Taxation (continued)

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. The following temporary differences are not provided for: the initial recognition of goodwill; 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 they will probably not reverse in the foreseeable future.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in the consolidated income statement or directly in equity, in which case, the current and deferred tax are also recognised in the consolidated income statement or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3 Critical accounting judgements and sources of estimation uncertainty

In the application of the group's accounting policies, the directors of the company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies
The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Deferred tax
Management have identified that the decision on whether consumption of assets through use or sale for deferred tax purposes has a material impact on the deferred tax liability. Management have concluded that the short leasehold land and buildings should be consumed in full over the life of the lease. Long leasehold and freehold buildings are partially consumed through use in line with the depreciation policy. All other fixed assets are consumed through use.

3 Critical accounting judgements and sources of estimation uncertainty (continued)

Key sources of estimation uncertainty
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of goodwill at 31 December 2017 was £54.2m (2016: £54.2m). No impairment loss was recognised during 2017 (2016: £nil).

4 Revenue

The revenue of the group is derived from its principal activity of owning and operating hotels in the United Kingdom.

The analysis of the group's revenue for the year from continuing operations is as follows:

	2017 £ 000	2016 £ 000
Hotel and related income	182,936	190,883

5 Operating profit

Profit for the period from continuing operations has been arrived at after charging:

	2017 £ 000	2016 £ 000
Acquisition costs	-	3,825
Depreciation of property, plant and equipment	17,215	12,678
Cost of inventories	10,351	11,092
Foreign exchange gains	11	3
Impairment of trade receivables	(517)	905
Loss on disposal of property, plant and equipment	-	(2,597)
Staff costs (note 7)	48,150	50,950

Notes to the Financial Statements

For the year ended 31 December 2017 (continued)

6 Finance income and costs

	2017 £ 000	2016 £ 000
Finance income		
Interest income on bank deposits	8	116
Other finance income	-	24
Total finance income	8	140
Finance costs		
Amortisation of financing fees	1,624	1,780
Interest paid on bank borrowings	19,077	20,077
Interest paid to parent	9,221	10,687
Other finance costs	-	40
Total finance costs	29,922	32,584
Net finance costs	**(29,914)**	**(32,444)**

7 Staff costs

The aggregate payroll costs were as follows:

	2017 £ 000	2016 £ 000
Wages and salaries	44,598	47,228
Social security costs	2,894	3,054
Pension costs (note 22)	658	668
	48,150	50,950

Notes to the Financial Statements
For the year ended 31 December 2017 (continued)

7 Staff costs (continued)

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

	2017 No.	2016 No.
Sales	64	83
Administrative	158	172
Hotel operations	1,738	1,958
	1,960	2,213

8 Directors' remuneration

Details of remuneration paid to directors during the current and prior period are detailed in note 26.

9 Auditors' remuneration

The analysis of the auditor's remuneration is as follows:

	2017 £ 000	2016 £ 000
Audit of company and consolidated financial statements	10	15
Audit of subsidiary financial statements	238	546
Total audit fees	248	561
All other non-audit services	911	2,164
	1,159	**2,725**

Group auditor's remuneration for non-audit fees relate to tax and restructuring services in the current and prior year.

Lapithus Hotels Management UK Limited

Notes to the Financial Statements

For the year ended 31 December 2017 (continued)

10 Income tax

Tax charge/(credit) in the income statement:

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax charge for current year	5,116	(668)
Adjustment in respect of previous years	(1,355)	-
	3,761	(668)
Deferred taxation		
Origination and reversal of temporary differences	(702)	(6,511)
Tax charge/(credit) for the year	**3,059**	**(7,179)**

Factors affecting current tax credit for the period

The tax on profit before tax for the year on ordinary activities is higher than the standard rate of corporation tax in the UK (2016: higher than the standard rate of corporation tax in the UK) of 19.25% (2016: 20%). Under Finance Act 2015, the UK corporation tax rate reduced from 20% to 19% on 1 April 2017.

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit/(loss) before tax	8,712	(4,398)
Corporation tax at standard rate	1,677	(880)
Expenses not deductible for tax purposes	4,281	1,032
Income not taxable for tax purposes	(94)	(1,916)
Disposal of discontinued operations	-	(593)
Property valuation movement	(68)	(294)
Indexation movement	(1,258)	(4,594)
Change in unrecognised deferred tax assets	9	-
Group relief not recognised	89	-
Group relief surrendered to discontinued operations	-	66
Adjustment in respect of previous years	(1,355)	-
Effect of changes in tax rate	(222)	-
Total tax charge/(credit) for the year	**3,059**	**(7,179)**

Factors affecting the tax charge in future years

Under Finance Act 2016, which was substantially enacted on 15 September 2016, the rate that will apply from 1 April 2020 was reduced from 18% to 17%. These rate reductions will reduce the future tax charge of the group.

Notes to the Financial Statements

For the year ended 31 December 2017 (continued)

11 Discontinued operations

Disposal of Holiday Inn London Mayfair

On 30 September 2016, the group disposed of Holiday Inn London Mayfair, which formed part of the group one of its hotels operations. No losses have been recognised in respect of Holiday Inn London Mayfair upon its reclassification as held for sale. which formed part of the company operations.

The results of the discontinued operations, which have been included in the consolidated income statement; were as follows:

	2017 £ 000	2016 £ 000
Revenue	-	11,473
Cost of sales	-	(297)
Gross profit	-	**11,176**
Distribution costs	-	(522)
Administrative expenses	-	(9,414)
Profit before tax	-	**1,240**
Tax charge	-	(238)
Profit after tax	-	**1,002**
Profit on disposal from discontinued operations	-	2,562
Net profit attributable to owners	-	**3,564**

The discontinued operations results contributed the following to the group cash flow:

During 2016, a profit of £2.6m arose on the disposal of Holiday Inn London Mayfair, being the difference between the proceeds of disposals (£6.1m), the net book value of the subsidiary's net assets (£3.0m), disposal costs (£0.2m) and attributable goodwill (£0.3m). Property, plant and equipment with a net book value of £2.6m were disposed of. Net cash inflow from the discontinued operations was £7.3m, being proceeds on disposal received of £5.5m and operating cashflows of £1.8m.

12 Property, plant and equipment

Group

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Plant & machinery £ 000	Total £ 000
Cost				
At 6 November 2015	-	-	-	-
Acquisition of subsidiaries (note 27)	511,932	43,583	50,488	606,003
Additions	-	2,063	1,175	3,238
Disposals	(3,246)	(80)	-	(3,326)
At 1 January 2017	508,686	45,565	51,663	605,914
Additions	-	4,672	647	5,319
Transfers	19,379	(6,022)	(13,357)	-
At 31 December 2017	528,065	44,215	38,953	611,233
Accumulated depreciation				
At 6 November 2015	-	-	-	-
Charge for year	2,388	6,338	3,952	12,678
Eliminated on disposal	(729)	-	-	(729)
At 1 January 2017	1,659	6,338	3,952	11,949
Charge for the year	8,241	5,788	3,186	17,215
At 31 December 2017	9,900	12,126	7,138	29,164
Net book value				
At 31 December 2017	**518,165**	**32,089**	**31,815**	**582,069**
At 31 December 2016	**507,027**	**39,227**	**47,711**	**593,965**

Included within the net book value of land and buildings above is £234.2m (2016: £212.3m) in respect of freehold land and buildings, £82.1m (2016: £93.1m) in respect of long leasehold land and buildings and £201.9m (2016: £201.7m) in respect of short leasehold land and buildings.

Land and buildings with a net book value of £518.2m (2016: £507.0m) are pledged as security for the group's debt (note 19).

12 Property, plant and equipment (continued)

Company

	Furniture, fittings and equipment £ 000	Total £ 000
Cost		
At 6 November 2015	-	-
Additions	299	299
At 1 January 2017	299	299
Additions	164	164
At 31 December 2017	463	463
Accumulated depreciation		
At 6 November 2015	-	-
Charge for year	29	29
At 1 January 2017	29	29
Charge for the year	131	131
At 31 December 2017	160	160
Carrying amount		
At 31 December 2017	**303**	**303**
At 31 December 2016	**270**	**270**

13 Intangible assets

Group

	Goodwill £ 000
Cost	
At 6 November 2015	-
Acquisitions in the period (note 27)	54,481
Disposal of discontinued operations (note 11)	(292)
At 31 December 2016	54,189
At 31 December 2017	54,189
Net book value	
At 31 December 2017	**54,189**
At 31 December 2016	**54,189**

Goodwill has been recognised in respect of the following business acquisitions:

	Goodwill £ 000
Ribbon Finance Limited (Formerly LRG Finance Limited) and its subsidiaries	54,189
	54,189

The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. In 2017, the recoverable amount has been determined on a fair value less costs of disposal basis. This value was determined by the sale of the Group to an independent third party in April 2018.

14 Investments

Company

Subsidiaries	**£ 000**
Cost	
At 1 January 2017	103,345
At 31 December 2017	103,345
Net book value	
At 31 December 2017	**103,345**
At 31 December 2016	**103,345**

14 Investments (continued)

Details of the subsidiaries as at 31 December 2017 are as follows:

Name of subsidiary	Principal activity	Ownership interest in ordinary shares (%) 2017	2016
Ribbon Holdco Limited*	Investment	100%	100%
Ribbon Mezzco Limited	Investment	100%	100%
Ribbon Midco Limited	Investment	100%	100%
Ribbon Bidco Limited	Investment	100%	100%
Ribbon Acquisition Limited	Investment	100%	100%
Ribbon Finance Limited	Non-trading (liquidation)	100%	100%
Ribbon Investment Limited	Non-trading (liquidation)	100%	100%
Ribbon HI Limited	Non-trading (liquidation)	100%	100%
HI (Guildford) Limited	Non-trading (liquidation)	100%	100%
NAS Cobalt No.2 Limited	Non-trading (liquidation)	100%	100%
HI UK Limited	Non-trading (liquidation)	100%	100%
Ribbon Health and Fitness Limited	Non-trading (liquidation)	100%	100%
Leased Hotels Limited	Non-trading (liquidation)	100%	100%
HI (Leicester) Limited	Non-trading (liquidation)	100%	100%
HI (Norwich) Limited	Non-trading (liquidation)	100%	100%
HI Finance Properties Limited	Non-trading (liquidation)	100%	100%
HI (Carlisle) Limited	Non-trading (liquidation)	100%	100%
HI (Coventry) Limited	Non-trading (liquidation)	100%	100%
HI (High Wycombe) Limited	Non-trading (liquidation)	100%	100%
HI (Eastleigh) Limited	Non-trading (liquidation)	100%	100%
HI (Basildon) Limited	Non-trading (liquidation)	100%	100%
HI (Regents Park) Limited	Non-trading (liquidation)	100%	100%
Ribbon Hotels Limited	Non-trading (liquidation)	100%	100%
HI (Birmingham City) Limited	Non-trading (liquidation)	100%	100%
HI (Colchester) Limited	Non-trading (liquidation)	100%	100%
HI (Milton Keynes) Limited	Non-trading (liquidation)	100%	100%
HI (Chester South) Limited	Non-trading (liquidation)	100%	100%
HI (Lancaster) Limited	Non-trading (liquidation)	100%	100%
HI (London Heathrow M4 J4) Limited	Non-trading (liquidation)	100%	100%
HI (London Heathrow M4 J4) No.2 Limited	Non-trading (liquidation)	100%	100%
HI (Brentwood) Limited	Non-trading (liquidation)	100%	100%
HI (Ipswich) Limited	Non-trading (liquidation)	100%	100%
HI (Birmingham M6 J7) Limited	Non-trading (liquidation)	100%	100%
HI (Edinburgh) Limited	Non-trading (liquidation)	100%	100%
HI (London Heathrow Ariel) Limited	Non-trading (liquidation)	100%	100%
Kensington PH Limited	Non-trading (liquidation)	100%	100%
CP Heathrow	Non-trading (liquidation)	100%	100%
SC Hotels and Holidays Limited	Non-trading (liquidation)	100%	100%
Pendigo Hotels Limited	Non-trading (liquidation)	100%	100%
HI GC Limited	Non-trading (liquidation)	100%	100%
Ribbon Hotels Group (UK) Limited	Non-trading (liquidation)	100%	100%

Notes to the Financial Statements
For the year ended 31 December 2017 (continued)

14 Investments (continued)

Name of subsidiary	Principal activity	Ownership interest in ordinary shares (%) 2017	2016
HI (Brent Cross) Limited	Non-trading (liquidation)	100%	100%
HI (Maidenhead) Limited	Non-trading (liquidation)	100%	100%
HI (Strathclyde) Limited	Non-trading (liquidation)	100%	100%
Ribbon Holdings Limited	Non-trading (liquidation)	100%	100%
Ribbon Holdings No.2 Limited	Non-trading (liquidation)	100%	100%
Centre Hotels (Cranston) Limited	Non-trading (liquidation)	100%	100%
Ribbon IG Limited	Non-trading (liquidation)	100%	100%
Ribbon Intermediate No.1 Limited	Non-trading (liquidation)	100%	100%
Ribbon Intermediate No.2 Limited	Non-trading (liquidation)	100%	100%
Ribbon Intermediate No.3 Limited	Non-trading (liquidation)	100%	100%
Ribbon Intermediate No.4 Limited	Non-trading (liquidation)	100%	100%
Ribbon Intermediate No.5 Limited	Non-trading (liquidation)	100%	100%
Ribbon Birmingham Limited	Hotel ownership & operations	100%	0%
Ribbon Heathrow Limited	Hotel ownership & operations	100%	0%
Ribbon Manchester Airport Limited	Hotel ownership & operations	100%	0%
Ribbon Basildon Limited	Hotel ownership & operations	100%	0%
Ribbon Brentwood Limited	Hotel ownership & operations	100%	0%
Ribbon Bristol Limited	Hotel ownership & operations	100%	0%
Ribbon Cambridge Limited	Hotel ownership & operations	100%	0%
Ribbon Cardiff Limited	Hotel ownership & operations	100%	0%
Ribbon Edinburgh Limited	Hotel ownership & operations	100%	0%
Ribbon Glasgow Airport Limited	Hotel ownership & operations	100%	0%
Ribbon Guildford Limited	Hotel ownership & operations	100%	0%
Ribbon Bloomsbury Limited	Hotel ownership & operations	100%	0%
Ribbon Brent Cross Limited	Hotel ownership & operations	100%	0%
Ribbon Heathrow Ariel Limited	Hotel ownership & operations	100%	0%
Ribbon Heathrow M4 J4 Limited	Hotel ownership & operations	100%	0%
Ribbon Regents Park Limited	Hotel ownership & operations	100%	0%
Ribbon Sutton Limited	Hotel ownership & operations	100%	0%
Ribbon Maidenhead Limited	Hotel ownership & operations	100%	0%
Ribbon Milton Keynes Limited	Hotel ownership & operations	100%	0%
Ribbon Oxford Limited	Hotel ownership & operations	100%	0%

On 22 February 2017 Ribbon Acquisition Limited incorporated 20 new subsidiaries. On 1 August 2017, the group completed a corporate restructure aimed at structure simplification whereby all the trading hotels were transferred into the newly incorporated subsidiaries of Ribbon Acquisition Limited. As at 31 December 2017 all other subsidiaries, excluding Ribbon Acquisition Limited and the hotel owning and operating subsidiaries, have been placed into member voluntary liquidation.

All of the trading subsidiaries listed above have a registered office at 10 Queens Street Place, London, United Kingdom, EC4R 1AG.

15 Inventories

	Group 2017 £ 000	Group 2016 £ 000	Company 2017 £ 000	Company 2016 £ 000
Consumables	387	408	-	-

16 Trade and other receivables

Group

	2017 £ 000	2016 £ 000
Trade receivables	7,645	8,416
Provision for impairment of trade receivables	(388)	(905)
Net trade receivables	7,257	7,511
Prepayments	5,103	5,298
Other receivables	165	445
Receivables from parent	424	424
	12,949	**13,678**

Company

	2017 £ 000	2016 £ 000
Trade receivables	355	-
Prepayments	138	7
Receivables from parent	424	424
Receivables of subsidiaries	1,171	1,819
	2,088	**2,250**

17 Cash and cash equivalents

	Group 2017 £ 000	Group 2016 £ 000	Company 2017 £ 000	Company 2016 £ 000
Cash at bank	41,323	30,421	5,018	4,836

18 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No.	£	No.	£
A Ordinary shares of £1	1,033,451	1,033,451	1,033,451	1,033,451
B Ordinary shares of £0.01	100,000	1,000	100,000	1,000
	1,133,451	1,034,451	1,133,451	1,034,451

The A Ordinary shares participation in a dividend distribution is restricted in accordance of Article 11 of the Articles of Association. B Ordinary shares have no voting rights.

19 Loans and borrowings

Group

	2017 £ 000	2016 £ 000
Non-current loans and borrowings		
Bank borrowings	-	420,493
Loans from parent	-	88,453
	-	508,946
Current loans and borrowings		
Bank borrowings	427,806	3,056
Loans from parent	78,309	1,635
	506,115	4,691

The group has the following principal loans:

(a) Senior bank loan

The loan of £357m was taken out on 27 November 2015. The company incurred fees of £4.8m on issue of this facility which are amortised over the period of the loan and have a current book value of £1.5m (2016: £3.1m). Repayment of the principal is due at maturity of a three-year term. The loan carries interest at 2.88% above 3-month Libor per annum payable on a quarterly basis. Accrued interest of £4.7m (2016: 2.3m) is included in current loans and borrowings. The loan was settled during April 2018. Refer to note 28 for the group's new external financing arrangements.

(b) Mezzanine bank loan

The loan of £66.6m was taken out on 27 November 2015. Repayment of the principal is due at maturity of a three-year term. The loan carries interest at 7.15% per annum payable on a quarterly basis. Accrued interest of £1.0m (2016: £0.7m) is included in current loans and borrowings. The loan was settled during April 2018. Refer to note 28 for the group's new external financing arrangements.

19 Loans and borrowings (continued)

(c) Shareholder's loan

Ribbon Holdings Sub Sarl issued a loan of £89.4m on 1 December 2015. Repayment of the principal is due at maturity of a three-year term. The loan carries interest at 11% per annum. During the year the group repaid capital of £13.7m. As at 31 December 2017 the outstanding balance was £74.7m (2016: £88.4m). Accrued interest of £3.6m (2016: £1.6m) is included in current loans and borrowings. The loan was settled during April 2018. Refer to note 28 for the group's new external financing arrangements.

The above bank loans are secured over the land and buildings of the group with a net book value of £518.2m (2016: £507.0m).

20 Deferred tax

	Accelerated capital allowances £ 000	Other property timing differences £ 000	Total £ 000
Opening balance	45,449	(1,135)	44,314
Charge to P&L	(607)	(94)	(701)
	44,842	(1,229)	43,613

21 Obligations under leases

Operating lease arrangements

At the balance sheet date, the group had outstanding commitments for future minimum lease payments under non-cancellable leases over long and short leasehold land and buildings, which fall due as follows:

	2017 £ 000	2016 £ 000
Within one year	5,575	5,558
In two to five years	23,437	26,317
In over five years	181,331	286,676
	210,343	318,551

22 Pension and other schemes

Defined contribution pension scheme
The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £658,200 (2016: £667,632). Contributions amounting to £Nil (2016: £30,611) were outstanding at year end.

23 Trade and other payables

Group

	2017 £ 000	2016 £ 000
Trade payables	3,365	6,345
Accrued expenses	10,754	9,954
Social security and other taxes	2,690	2,104
Other payables	2,855	-
Payables to parent	7,000	7,000
	26,664	25,403

Company

	2017 £ 000	2016 £ 000
Trade payables	56	288
Accrued expenses	1,107	898
Social security and other taxes	108	122
Other payables	100	-
Payables to parent	6,576	7,031
	7,947	8,339

24 Commitments

Capital commitments
There are no major capital expenditure commitments as at 31 December 2017 (2016: £nil).

The total amount contracted for but not provided in the financial statements was £Nil (2016: £Nil).

25 Financial instruments

(a) Categories of financial instruments and fair values

The following table shows the carrying amounts and fair values of the group's financial assets and financial liabilities, including their levels in the fair value hierarchy. The group does not have any financial instruments recognised in the financial statements that are measured at fair value.

	Categories according to IAS 39	Net book value 2017 £ 000	Fair value 2017 £ 000	Net book value 2016 £ 000	Fair value 2016 £ 000
Financial assets					
Trade and other receivables	LaR	7,846	7,846	8,380	8,380
Cash and cash equivalents	LaR	41,323	41,323	30,421	30,421
Loans and receivables (LaR)		49,169	49,169	38,801	38,801

	Categories according to IAS 39	Net book value 2017 £ 000	Fair value 2017 £ 000	Net book value 2016 £ 000	Fair value 2016 £ 000
Financial liabilities					
Trade and other payables	FLAC	26,664	26,664	25,403	25,403
Loans and borrowings	FLAC	506,115	506,115	513,637	513,637
Financial liabilities measured at amortised cost (FLAC)		532,779	532,779	539,040	539,040

(b) Financial risk management objectives and policies

The Board of directors has the overall responsibility for the establishment and oversight of the risk management framework. The senior management is responsible for developing and monitoring the risk management policies and reports regularly to the Board of directors.

The 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 group's activities.

The group's principal financial instruments arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's acquisitions and ongoing operations. It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the group's financial instruments are credit risk, liquidity risk and interest rate risk. The Board reviews and agrees policies for managing these risks and is summarized below.

25 Financial instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk
Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers and bank balances.

Trade receivables
The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the group assesses its credit risk as low due to the nature of the hotel industry in which it operates with exposure spread over a large number of counterparties and customers. All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and provisions are made when there is objective evidence of impairment. The maximum exposure is equal to the carrying amount but this risk is considered as low.

Cash and cash equivalents
Credit risk arising from cash and cash equivalents relate to funds deposited with the banking institutions. The group limits its exposure to credit risk by depositing funds only with banks with a high credit rating. The maximum exposure is equal to the carrying amount but this risk is considered as low.

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 they fall due without incurring unacceptable losses or risking damage to the group's reputation. The group uses cash flow forecasting tool to monitor its cash flow requirements.

The following table details the groups contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The amounts are gross and undiscounted, and include estimated interest payments based on earliest date on which the group can be required to pay.

31 December 2016		**Contractual cash flows**	
	Net book value	**<1 year**	**1-5 years**
	£ 000	**£ 000**	**£ 000**
Trade and other payables	25,403	25,403	-
Loans and borrowings	513,637	4,691	508,946
	539,040	30,094	508,946

25 Financial instruments (continued)

(b) Financial risk management objectives and policies (continued)

31 December 2017		**Contractual cash flows**	
	Net book value	**<1 year**	**1-5 years**
	£ 000	**£ 000**	**£ 000**
Trade and other payables	26,664	26,664	-
Loans and borrowings	506,115	506,115	-
	532,779	532,779	-

The group's external liabilities have been refinanced after year end. Refer to note 28.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of the group's interest bearing financial instruments will fluctuate because of changes in market interest rates. The group is exposed to interest rate risk because it borrows funds at interest rates based on Libor. The positions held are closely monitored by the management and reviewed to align the positions with market expectations.

The group and company interest bearing financial assets and liabilities is as follows:

Group	**2017**	**2016**
	£ 000	**£ 000**
Variable rate instrument		
Loans and borrowings	(355,557)	(353,933)
Cash and cash equivalents	41,323	30,421
	(314,234)	(323,512)

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis points in interest rates during the period would have decreased group profit by £0.4m and would have no impact on company profit. This analysis assumes that all other variables remain constant.

25 Financial instruments (continued)

(c) Capital management

The group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance.

The group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the distributions to the members, return members interest or receive additional members' interest. The group is not subject to any externally imposed capital requirements.

The group reviews the capital structure on a regular basis. As part of this review, the management considers the gearing ratio determined as the proportion of net debt to equity. The gearing ratio at the end of reporting period was as follows:

	2017 £ 000	2016 £ 000
Debt [1]	506,114	513,637
Cash and cash equivalents	(41,323)	(30,421)
Net debt	464,791	483,216
Equity [2]	115,344	109,691
Net debt to equity ratio	4.03	4.41

[1] Debt is defined as long- and short-term borrowings.
[2] Equity includes share capital, share premium and retained reserves of the group.

26 Parent and ultimate parent undertaking

(a) Parent and ultimate controlling party

The immediate parent of the company at 31 December 2017 was Ribbon Holdings Sub Sarl, a private limited liability company incorporated in Luxembourg. The ultimate controlling party at 31 December 2017 was Apollo Global Management LLC, a company incorporated in Delaware, United States of America.

The largest group to consolidate these financial statements is that of Apollo Global Management LLC. The consolidated financial statements of Apollo Global Management LLC for the year ended 31 December 2017 are available to the public and may be obtained from its registered address and principal place of business, 9 West 57th Street, 43rd Floor, New York, New York 10019, United States of America.

26 Parent and ultimate parent undertaking (continued)

(b) Transactions with key management personnel

Remuneration of key management personnel
The key management personnel of the group are considered to be the directors of the company. The remuneration of directors during the period was as follows:

	2017 £ 000	2016 £ 000
Short term benefits	1,456	549
Post-employment benefits	53	53
	1,509	602

Remuneration of the highest paid director

	2017 £ 000	2016 £ 000
Short term benefits	1,104	312
Post-employment benefits	30	30
	1,134	342

Transactions with directors
There were no transactions during the current or prior period or amounts due to/from key management of the group at 31 December 2017 (2016: £Nil).

(c) Other related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the group and its associates are disclosed below.

During the period, group companies entered into the following transactions with related parties who are not members of the group.

Trading transactions
During the period the group received revenue and incurred costs related to asset management services provided to related parties.

26 Parent and ultimate parent undertaking (continued)

	2017 £ 000	2016 £ 000
Revenue received		
Lapithus Hotel Management GmbH	113	97
Lapithus Management Sarl	1,335	1,443
	1,783	1,540
Costs incurred		
Lapithus Hotel Management GmbH	115	112
Lapithus Management Sarl	2,000	2,444
	2,115	2,556

Loans made by related parties

The group had the following receivables from and payables to other related parties:

	2017 £ 000	2016 £ 000
Payables to other related parties		
Ribbon Holdings Sarl	78,309	90,088
Ribbon Holdings Sub Sarl	7,000	7,000
	85,309	97,088
Receivables from other related parties		
Ribbon Holdings Sub Sarl	424	424
	424	424

Ribbon Holdings Sub Sarl was the immediate parent entity of Lapithus Hotels Management UK Limited at 31 December 2018. Ribbon Holdings Sarl is the parent entity of Ribbon Holdings Sub Sarl.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

27 Acquisitions

The details set out below provide the information required under IFRS 3 'Business combinations' for those acquisitions that occurred during the period ended 31 December 2016.

(a) Acquisition of subsidiaries

On 1 December 2015, the group acquired the entire share capital of Ribbon Finance Limited (Formerly LRG Finance Limited) and its 100% owned subsidiary undertakings ('LRG group') for a net cash consideration of £24.9m. At acquisition, the LRG group owned 3 Crowne Plaza Hotels and 19 Holiday Inn hotels in various parts of the United Kingdom. In a back to back deal, one of the acquired subsidiaries, London LRG Hotel Limited which owns the Holiday Inn Kensington Forum was immediately sold to Queensgate Bow UK Holdco Limited.

(b) Assets acquired and liabilities assumed at the date of acquisition

The fair values of the identifiable assets and liabilities of the LRG group acquired were (these values exclude London LRG Hotel Limited which was immediately sold):

	2016 £'000
Assets	
Property, plant and equipment	606,002
Inventories	429
Trade and other receivables	12,913
Cash and cash equivalents	47,471
	666,815
Liabilities	
Loans and borrowings	575,524
Trade and other payables	22,264
Deferred tax liabilities	51,134
	648,922
Fair value of identifiable net assets	**17,893**

(c) Goodwill arising on acquisition

Goodwill arising on acquisition has been recognised as follows:

	2016 £'000
Consideration transferred	72,374
Fair value of identifiable net assets	(17,893)
Goodwill arising on acquisition	**54,481**

Goodwill is attributable to the hotel operations. None of the goodwill arising on acquisition is expected to be deductible for tax purposes.

27 Acquisitions (continued)

(d) Net cash outflow on acquisition of subsidiaries

	2016
	£'000
Consideration paid in cash to vendor	395,273
Consideration received for subsidiary immediately sold	(331,458)
Deferred consideration	8,560
Consideration transferred	72,375
Less: Cash and cash equivalents balances acquired	(47,471)
	24,904

28 Subsequent events

On 4 April 2018 the sale of 100% equity interest in the company to UK Investment Company 210 Limited completed. In order to finance the acquisition, UK Investment Company 210 secured £519m external financing (as detailed below) from Goldman Sachs Bank USA. This external financing was novated to subsidiaries within the group and used to repay the existing external and shareholder borrowings. The group's financial forecasts, taking into account the new loan terms, show that the group will be able to operate within the level of the new facilities and be compliant with the terms of the loan agreements.

New External borrowings	**Value**	**Interest rate**	**Repayment terms**	**Loan term**
Senior debt	£449.8m	3 Month Libor + 3.19%	1% repayment annually	5 years
Mezzanine debt	£69.2m	3 Month Libor + 6.25%	1% repayment annually	5 years