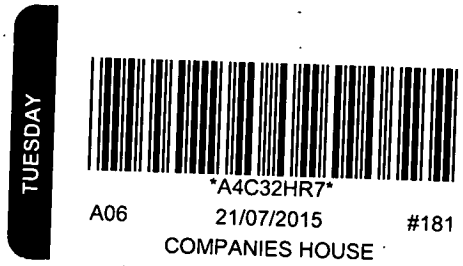
Dunston Hall Hotel Limited

Directors' report and financial statements

Registered number 02208921

28 December 2014



Contents

	Page numbers
Directors and advisors	1
Strategic report	2
Directors' report	4
Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements	5
Independent auditor's report to the members of Dunston Hall Hotel Limited	6
Profit and loss account	8
Statement of total recognised gains and losses	8
Balance sheet	9
Cashflow statement	10
Notes to financial statements	11

Directors and advisors

Executive directors

Brad Palmer	Non-executive Chairman
Hugh Taylor	Non-executive Director
Michael Purtill FCA	Managing Director
Ian Goulding BSc ACA	Finance Director

Secretary and registered office

Ian Goulding
Wellington House
Cliffe Park
Bruntcliffe Road
Morley
Leeds
LS27 0RY

Registered auditor

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Solicitor

DLA Piper UK LLP
Princes Exchange
Princes Square
Leeds
LS1 4BY

Strategic report

Principal activities

The principal activity of the company continues to be the ownership of a freehold hotel, which is leased to a fellow subsidiary undertaking. Up to the 20th November the company was within the hotel group brand De Vere Hotels, and after that date within the Stratton Point group, and via a management contract under the umbrella hotel group brand QHotels.

Business model

The company is part of the Stratton Point group of companies, a UK provincial hotel group, and its property is managed by the directors and senior managers of both the group and the company. The company monitors the performance of hotel in order to assess the viability or otherwise of the tenant to pay the rents that are due to the company.

The management of all aspects of the business is retained and driven by the directors.

With the significant value held within the freehold property there is a requirement for the company to have access to significant sources of funds. This is provided by the Stratton Point group through a combination of shareholder equity from the immediate holding company and loans from other group undertakings.

Business review and results

On the 20th November 2014 Stratton Point 1 Limited acquired from De Vere Hotels Holdings Limited the entire issued share capital of the company. On the same date the company's tenant entered into a management agreement with QHotels Services Limited for the provision of management services. From that date the company's hotel has been managed and traded as part of the QHotels group of hotels.

The trading performance of the company is set out in the profit and loss account within these financial statements.

The balance sheet of the company sets out the financial position of the company at the year end and note 1 sets out the financial support provided by the group. The directors are satisfied that this position is satisfactory for the foreseeable future.

Going concern

Note 1 provides a detailed narrative as to the directors' considerations of the going concern of the company.

On the basis of their assessment of the company's financial position, and enquiries made of the directors of Stratton Point Group Limited, its ultimate UK parent, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Key performance indicators

The profit and loss account and balance sheet show the KPIs of the business, namely the level of profitability of the company and the value of its freehold property.

Principal risks and uncertainties

Financing and interest rates

The company finances its activities through loans provided by fellow group undertakings on commercial terms.

Interest rates on loans to and from group undertakings are set by the directors of the parent company and ultimately are a function of the financing arrangements of the group. The company does not trade in financial instruments and has no other form of derivatives.

Property insurance and consequential loss

The company's key asset is its hotel which allows it to generate operating profits. The risk of an impact on operating profits from damage or destruction of the hotel is covered by putting in place appropriate insurance cover. The cover is provided on a group-wide basis and provides for full reinstatement value of the property and loss of gross profits for a period of three years.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Future developments

The directors have noted that there has been an overall improvement in the UK provincial hotel market in 2014. Trading in the early part of 2015, together with the views of professional commentators suggests that this improvement will continue in the medium term, which in turn, should lead to an improvement in operational profitability of the hotel in the year to come.

By order of the board

I Goulding
Company Secretary

30 June 2015

Directors' report

The directors present their directors' report and the financial statements for the year ended 28 December 2014.

Directors and directors' interests

The directors of the company who served during the year were:

Michael Purtill	(appointed 20 November 2014)
Ian Goulding	(appointed 20 November 2014)
Brad Palmer	(appointed 20 November 2014)
Hugh Taylor	(appointed 20 November 2014)
A M Coppel CBE	(resigned 20 November 2014)
C Elliot	(resigned 20 November 2014)

All directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Dividends

The directors approved and paid a dividend of £9,833,000 *(2013: £nil)* on the 31st July 2014.

Charitable and political donations

Donations made by the company during the year for charitable purposes amount to £nil *(2013: £nil)*. No contributions were made by the company for political purposes *(2013: £nil)*.

Disclosure of information to auditor

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

Auditor

During the year, under Section 516 of the Companies Act 2006 Ernst & Young resigned as auditors of the company. The Directors appointed KPMG to fill the casual vacancy. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

I Goulding
Company Secretary

30 June 2015

Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditor's report to the members of Dunston Hall Hotel Limited

We have audited the financial statements of Dunston Hall Hotel Limited for the year ended 28 December 2014 set out on pages 8 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Dunston Hall Hotel Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

C. Needham

Claire Needham (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW

30 June 2015

Profit and loss account

for the year ended 28 December 2014

	Note	Year ended 28 December 2014 £'000	Year ended 31 December 2013 £'000
Turnover	2	**1,534**	1,543
Cost of sales		**-**	(67)
Gross profit		**1,534**	1,476
Administrative expenses	4	**(70)**	-
Impairment reversal/(impairment) of tangible fixed assets	4	**5,177**	(3,558)
Operating profit/(loss)		**6,641**	(2,082)
Income from investments	7	**9,833**	-
Profit/(loss) on ordinary activities before taxation	4	**16,474**	(2,082)
Tax on profit/(loss) on ordinary activities	5	**(137)**	(243)
Profit/(loss) for the financial year	13	**16,337**	(2,325)

All of the company's operations during the year shown above represent continuing operations.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

Statement of total recognised gains and losses

for the year ended 28 December 2014

	Note	Year ended 28 December 2014 £'000	Year ended 31 December 2013 £'000
Profit/(loss) for the year	13	**16,337**	(2,325)
Unrealised surplus on revaluation of freehold property		**940**	-
Total recognised gains and losses for the year		**17,277**	(2,325)

Notes on pages 11 to 16 form an integral part of the financial statements.

Balance sheet

as at 28 December 2014

	Note	As at 28 December 2014 £'000	As at 31 December 2013 £'000
Fixed assets			
Tangible assets	6	**20,393**	14,200
Investments	7	**-**	-
Current assets			
Debtors	9	**183**	5,044
		183	5,044
Creditors: amounts falling due within one year	10	**(11,337)**	(17,449)
Net current liabilities		**(11,154)**	(12,405)
Total assets less current liabilities		**9,239**	1,795
Net assets		**9,239**	1,795
Capital and reserves			
Called up share capital	12	**-**	-
Share premium account	13	**42**	42
Revaluation reserve	13	**940**	-
Profit and loss account	13	**8,257**	1,753
Total equity shareholders' funds	14	**9,239**	1,795

Notes on pages 11 to 16 form an integral part of the financial statements.

The financial statements were approved by the board of directors on 30 June 2015 and were signed on its behalf by:

I Goulding
Finance Director

Cashflow statement

for the year ended 28 December 2014

	Year ended 28 December 2014 £000's	Year ended 31 December 2013 £000's
Operating profit/(loss)	**16,474**	(2,082)
Depreciation	**60**	67
Revaluation of fixed assets	**(5,177)**	3,558
Decrease in amounts due to group undertakings	**(11,198)**	(1,543)
Increase in other taxation and social security	**44**	-
Net cash inflow from operating activities	**203**	-
Capital expenditure	**(203)**	-
Movement in cash and change in net debt	**-**	-

Notes on pages 11 to 16 form an integral part of the financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules as modified to include the revaluation of certain tangible fixed assets. The company qualifies as a small company under Section 398 of the Companies Act 2006 and has therefore not prepared consolidated financial statements.

The financial statements have been prepared for the 362 day trading period ended 28 December 2014 *(2013: 12 months ended 31 December 2013)*. The group adopts a variable reference date and the financial statements are prepared for a fiscal year to the Sunday closest to 31 December each year. The term "year" within the financial statements refers to the fiscal year as noted herein.

Going concern

The company participates in centralised treasury arrangements of its intermediate parent company, Stratton Point 1 Limited, and fellow subsidiary undertakings. Further, the company is party to Stratton Point 1 Limited's external bank loan facilities and the company's assets are secured under this bank facility. The directors have assessed the responses of directors of Stratton Point Group Limited, the ultimate UK parent of the group, to their enquiries with regard to the wider group's cash forecasts on both a base case as well as realistic downside scenarios.

Stratton Point Group Limited has indicated that for at least 12 months from the date of approval of these financial statements it will continue to make available such funds as are needed by the company.

On the basis of the above, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of accounting

As a wholly owned subsidiary, the company has availed itself of the exemption under Financial Reporting Standard Number 8, not to disclose intra-group transactions.

Tangible assets

A policy of revaluation exists for freehold and long leasehold land and buildings. Valuations are performed by external valuation specialists. Revaluation gains are recognised in the profit and loss account to the extent, after adjusting for subsequent depreciation, that they reverse revaluation losses on the same asset that were recognised in the profit and loss account. All other gains are recognised in the revaluation reserve. Revaluation losses that are caused by consumption of economic benefits are charged to the profit and loss account. Other revaluation losses firstly reverse any gain recognised in the revaluation reserve in respect of the asset with any excess charged to the profit and loss account.

No depreciation is provided on freehold land. Depreciation is provided on all tangible fixed assets, other than freehold land, on a straight line basis, over their estimated useful economic lives as follows:

Freehold property	-	up to 50 years
Plant and equipment	-	5 to 20 years

Turnover

Revenue from rental of properties are recognised in the profit and loss account on a straight line basis over the terms of the lease.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 Segmental reporting

The company's turnover, profit before taxation and net assets are derived from its principal activity within the UK and as such no segmental information has been disclosed.

3 Directors' emoluments

The directors received no remuneration in respect of their services to this Company for the year ended 28 December 2014 *(2013: £nil)*. The directors' emoluments are paid by Sankaty Advisors LLC and Canyon Capital Advisors LLC, related parties of the Group. Their services to the company are of negligible value and their emoluments are deemed to be wholly attributable to their services to the funds so no amounts have been recharged to the company.

4 Profit/(loss) on ordinary activities before taxation

	Year ended 28 December 2014 £'000	Year ended 31 December 2013 £'000
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation charge for the year		
Tangible fixed assets - owned	**60**	67
Property rent receivable	**(1,534)**	(1,543)
Exceptional items:		
(Impairment reversal)/impairment of owned tangible assets	**(5,177)**	3,558

The audit fee for the company for the current year was borne by Stratton Point 2 Limited, a fellow subsidiary, an estimate of the audit fee relating to the company was cross-charged and amounted to £1,000. The prior year audit fee was borne by De Vere Central Services Limited and was estimated at £2,000. Stratton Point 2 Limited paid no other fees to the auditors for other services *(2013: £nil)*.

The exceptional item in the year was £5,177,000 *(2013: £3,558,000 impairment)* relating to the reversal of prior years' impairment of fixed assets.

Notes *(continued)*

5 Tax on profit on ordinary activities

	Year ended 28 December 2014 £'000	Year ended 31 December 2013 £'000
Current year		
UK Corporation tax	**45**	243
Group relief	**92**	-
Tax charge	**137**	243

Reductions in the UK corporate tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

The current tax charge for the year is lower than *(2013: higher than)* the standard rate of corporation tax in the UK 21.50% *(2013: 23.20%)*. The differences are explained below:

	Year ended 28 December 2014 £'000	Year ended 31 December 2013 £'000
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	**16,474**	(2,082)
Current tax charge/(credit) at 21.50% *(2013: 23.20%)*	**3,542**	(483)
Effects of:		
Expenses not deductible for tax purposes	**-**	16
Non-qualifying depreciation	**11**	-
Group relief from group companies not paid for	**(190)**	-
Difference between capital allowances and depreciation in the year	**1**	-
Transfer pricing adjustments not reflected in the financial statements	**-**	(115)
Non qualifying (impairment reversal)/impairment of fixed assets	**(1,113)**	825
Dividend income	**(2,114)**	-
Total current tax charge (see above)	**137**	243

Notes *(continued)*

6 Tangible fixed assets

	Freehold land and buildings	Plant and equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At beginning of year	14,423	-	14,423
Additions	157	46	203
Revaluation	5,847	-	5,847
Transfers	25	91	116
At end of year	20,452	138	20,589
Depreciation			
At beginning of year	(223)	-	(223)
Charge for year	(56)	(4)	(60)
Revaluation	270	-	270
Transfers	(50)	(134)	(184)
At end of year	(59)	(138)	(197)
Net book value			
At 28 December 2014	**20,393**	**-**	**20,393**
At 31 December 2013	14,200	-	14,200

Stratton Point Group's freehold and leasehold properties were independently valued by Jane Lees, MRICS and Julia Kneist, MRICS, CIS HypZert (F) of CBRE in November 2014. The valuation was prepared on the basis of market value in accordance with the RICS Valuation – Professional Standards ("the Red Book") published by the Royal Institution of Chartered Surveyors. The directors consider that the carrying value materially represents the market value at 28 December 2014.

The historical cost and net book value of the company's tangible fixed assets included at valuation above, based on the historical cost, is as follows:

	Historical cost		Historical net book value	
	28 December 2014	31 December 2013	**28 December 2014**	31 December 2013
	£'000	£'000	**£'000**	£'000
Freehold land and buildings	**19,511**	14,424	**19,452**	14,200
Plant and equipment	**138**	-	**-**	-
Total	**19,649**	14,424	**19,452**	14,200

7 Investments

The company has an investment of £100 *(2013: £100)* at cost, representing the whole of the issued ordinary share capital of Dunston Hall Hotel Trading Limited. a company incoporated in England, which manages a hotel.

8 Dividends

The company paid a dividend of £9,833,000 on the 31st July 2014. No dividends were paid in 2013. The Directors do not propose a dividend for 2015.

Notes *(continued)*

9 Debtors

	28 December 2014	31 December 2013
	£'000	£'000
Amounts due from group undertakings	**183**	5,044
	183	5,044

10 Creditors: amounts falling due within one year

	28 December 2014	31 December 2013
	£'000	£'000
Amounts due to group undertakings	**11,293**	17,449
Other taxation and social security	**44**	-
	11,337	17,449

The loans due to group undertakings are repayable on demand.

11 Deferred tax asset

The amounts provided for deferred taxation and the amounts not provided are set out below:

	28 December 2014		31 December 2013	
	Provided	**Unprovided**	Provided	Unprovided
	£'000	**£'000**	£'000	£'000
Difference between accumulated depreciation and capital allowances	**-**	**1**	-	-
Deferred tax asset	**-**	**1**	-	-

The deferred tax asset has not been provided for on the grounds of the uncertainty of when it may be able to be utilised.

12 Called up share capital

	28 December 2014	31 December 2013
	£	£
Authorised, allotted, called up and fully paid		
100 ordinary shares of £1 each	**100**	100
400 preference shares of £1 each	**400**	400
	500	500

Notes *(continued)*

13 Reserves

	Revaluation reserve	Share premium account	Profit and loss account	Total
	£'000	£'000	£'000	**£'000**
At beginning of year	-	42	1,753	**1,795**
Profit for the year	-	-	16,337	**16,337**
Dividends paid in the year	-	-	(9,833)	**(9,833)**
Revaluation of tangible fixed assets	940	-	-	**940**
At end of year	940	42	8,257	**9,239**

14 Reconciliation of movements in shareholders' funds

	28 December 2014	31 December 2013
	£'000	£'000
Opening shareholders' funds	**1,795**	4,120
Profit for the year	**16,337**	(2,325)
Dividends paid in the year	**(9,833)**	-
Unrealised surplus on revaluation of freehold property	**940**	-
Closing shareholders' funds	**9,239**	1,795

15 Capital commitments

	28 December 2014	31 December 2013
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**38**	-

16 Ultimate controlling party

The immediate controlling party is Stratton Point 1 Limited, a company incorporated in England and the ultimate controlling party is Devonshire Point Investment S.a.r.l, a company incorporated in Luxembourg whose registered office is 4, rue Lou Hemmer, L-1748 Findel. Up to 20 November 2014 the company's ultimate parent company was De Vere Group Limited, a company registered in England and Wales.

17 Contingent liabilities

The company is party to Stratton Point 1 Limited's external bank loan facility of £96,000,000 with Blackstone Real Estate Debt Strategies. All the group's assets have been secured under this bank loan facility.