



**BPH Acquisition 2 Salford
Limited**

Annual report and non-statutory
financial statements

Year ended 31 December 2017

Company registration number: FC032921



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BPH Acquisition 2 Salford Limited

Annual report and non-statutory financial statements

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BPH Acquisition 2 Salford Limited

Directors and other information

Directors	C Kula J Braidley
Company secretary	Oakwood Corporate Services Limited Third Floor 1 Ashley Road Altrincham Cheshire WA14 2DT
Registered office	Maples Corporate Services Limited PO Box 309 Ugland House Grand Cayman KY1 1104
Auditor	KPMG The Soloist Building 1 Lanyon Place Belfast BT1 3LP
Registered number	FC032921

BPH Acquisition 2 Salford Limited

Strategic report

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

Principal activity

The principal activity of the Company is the management of a hotel.

Business review

The results for the year are set out in the statement of profit and loss and other comprehensive income on page 9 and in the related notes.

The directors undertook a significant capital expenditure project during the prior year, which resulted in the hotel, from which the Company trades, being rebranded to AC by Marriott in 2016. Initial trading post rebranding has already shown a significant improvement on in reported results, thus providing an indication that this capital investment will further boost profitability and hotel value in future years.

Whilst revenue increased significantly from £2,982k in 2016 to £4,083k in 2017 as a result of enhanced hotel facilities, operating losses also increased following the introduction of rental charges and increased depreciation costs as a result of the capital expenditure programme undertaken.

Principal risks and uncertainties

The Company is a subsidiary of Bryant Park Hospitality Limited and as such, the principal risks and uncertainties of the Company are the same as those facing the wider Group.

The management of the Group's business and execution of the Group's strategy are subject to a number of risks. The key risks and uncertainties currently judged to have the greatest impact on the Group's performance include:

- Employee retention;
- Competition from other hotels;
- Fluctuations in property valuations; and
- Other market risks – hotels may be adversely impacted by changes in or failure to comply with regulations. The hotels operate under franchise agreements which require adherence to quality standards and criteria.

Financial risk management

The Company's operations expose it to a variety of financial risks which include liquidity and credit risk. Following a Group wide refinancing exercise in November 2017, working capital requirements are now financed with borrowings from other Group companies. Credit risk is managed via a formal credit policy.

Given the size of the Company and wider Group, the directors have not delegated responsibility for monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Group's finance department.

Key performance indicators

The directors are of the opinion that analysis using KPIs assists with their understanding of the development, performance and position of the business. Key performance indicators used by management include occupancy statistics, average daily rates, revenue per available room and operating margins. Such indicators are not presented as the directors consider their disclosure to be prejudicial to the Company's interests.

BPH Acquisition 2 Salford Limited

Strategic report *(continued)*

Future outlook

Competition in the marketplace remains strong, however the directors consider both the results for the year and trading prospects to be satisfactory. It is the directors' intention to continue to develop the present activities of the Company and wider Group.

On behalf of the board



C Kula
Director

29 June 2018

BPH Acquisition 2 Salford Limited

Directors' report

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

Dividends

No dividends were paid in the year (2016: £Nil).

Directors

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

C Kula (appointed 29 June 2017)

D Arzi (resigned 27 June 2017)

J Braidley

Political donations

The Company made no political donations during the year. (2016: £Nil)

Financial instruments

The Company is exposed to credit and cash flow risks associated with selling on credit and manages this risk through its credit policy. This policy is to finance working capital requirements with retained earnings and borrowings from other Group companies.

Employee involvement

A formal employee representative is elected at each hotel which enables the Group to have a formal vehicle through which it can communicate and consult with employees. Ongoing effort is made to keep employees informed via an online communications hub, regular team briefings and employee engagement surveys.

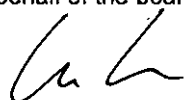
Employees with disabilities

The Company recognises its obligations towards people with disabilities and its policy is to encourage and assist the employment of people with disabilities, having regard to the demands of the Company's operations and abilities to fulfil such demands. If existing employees become disabled, reasonable adjustments are made to allow appropriate work to be carried out and any necessary training provided. Employees with disabilities are encouraged and assisted in developing their careers and skills within the Company.

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the board



C Kula
Director

29 June 2018

BPH Acquisition 2 Salford Limited

Statement of directors' responsibilities

The directors of BPH Acquisition 2 Salford Limited ('the directors') have accepted responsibility for the preparation of these non-statutory financial statements for the year ended 31 December 2017 which are intended by them to give a true and fair view of the state of affairs of the Company and of the profit or loss for that year. They have decided to prepare those statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and as if the requirements of the Companies Act 2006 were to apply.

In preparing these non-statutory financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable Accounting Standards have been followed; subject to any material departures being disclosed and explained in the non-statutory financial statements;
- assessed the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- used the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and to enable them to ensure that the non-statutory financial statements comply with the financial reporting framework. They are responsible for such internal controls as they determine necessary to enable the preparation of non-statutory financial statements that are free from material misstatement, whether due to fraud or error, and have a 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.

On behalf of the board



C Kula
Director

29 June 2018



**KPMG
Audit**
The Soloist Building
1 Lanyon Place
Belfast BT1 3LP
Northern Ireland

Telephone +44 28 9024 3377
Fax +44 28 9089 3893
Internet www.kpmg.ie

Independent auditor's report to the directors on the non-statutory financial statements of BPH Acquisition 2 Salford Limited

1 Report on the audit of the non-statutory financial statements

Opinion

We have audited the non-statutory financial statements of BPH Acquisition 2 Salford Limited ("the Company") for the year ended 31 December 2017. These non-statutory financial statements have been prepared for the reasons set out in note 1 and on the basis of the financial reporting framework of International Financial Reporting Standards (IFRS) as adopted by the EU and as if the requirements of the Companies Act 2006 were to apply, which comprise the statement of profit and loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the cash flow statement and related notes, including the summary of significant accounting policies set out in note 1.

In our opinion, the accompanying non-statutory financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been properly prepared in accordance with the accounting policies and basis of preparation set out on pages 13 to 18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (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.

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the non-statutory financial statements. We have nothing to report in these respects.

Other information

The directors are responsible for the preparation of other information accompanying the annual report together with the non-statutory financial statements. The other information comprises the information included in the strategic report and the directors' report.

Our opinion on the non-statutory financial statements does not cover the other information and we do not express any form of assurance conclusion on that information.

Independent auditor's report to the directors on the non-statutory financial statements of BPH Acquisition 2 Salford Limited *(continued)*

1 Report on the audit of the non-statutory financial statements *(continued)*

Matters on which we are required to report by exception

In connection with our audit of the non-statutory financial statements, ISAs (UK) require that we read the other information and, in doing so, consider whether that information is materially inconsistent with the non-statutory financial statements or our knowledge obtained from our audit work, or otherwise appears to be materially misstated.

ISAs (UK) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading. We have nothing to report in this regard.

2 Respective responsibilities and restrictions on use

Responsibilities of directors for the non-statutory financial statements

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the non-statutory financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of non-statutory financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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 non-statutory financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

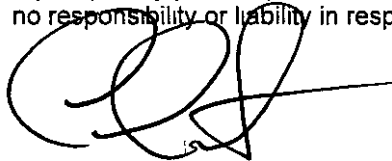
Independent auditor's report to the directors on the non-statutory financial statements of BPH Acquisition 2 Salford Limited *(continued)*

2 Respective responsibilities and restrictions on use *(continued)*

The purpose of our audit work and to whom we owe our responsibilities

Our report has been prepared for the directors solely in connection with our engagement letter dated 14 November 2017. It has been released to the directors on the basis that our report shall not be copied, referred to or disclosed, in whole (save for the directors' own internal purposes) or in part, without our prior written consent.

Our report was designed to meet the agreed requirements of the directors determined by the Company's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company for any purpose or in any context. Any party other than the Company who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG will accept no responsibility or liability in respect of our report to any other party.



Colm O'Sé
for and on behalf of KPMG
The Soloist Building
1 Lanyon Place
Belfast
BT1 3LP

29 June 2018

BPH Acquisition 2 Salford Limited

Statement of profit and loss and other comprehensive income for the year ended 31 December 2017

	<i>Note</i>	2017 £'000	2016 £'000
Revenue	2	4,083	2,982
Cost of sales		(1,762)	(1,641)
Gross profit		2,321	1,341
Administrative expenses		(2,824)	(1,506)
Other expenses		(228)	-
Operating loss		(731)	(165)
Finance expense		-	(15)
Loss before taxation		(731)	(180)
Taxation	6	24	(24)
Loss for the year		(707)	(204)

The Company had no other comprehensive income other than that dealt with in the profit and loss account and accordingly, a statement of other comprehensive income has not been presented.

The notes on pages 13 to 26 form an integral part of these non-statutory financial statements.

BPH Acquisition 2 Salford Limited

Statement of financial position as at 31 December 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	7	2,206	2,645
Total non-current assets		2,206	2,645
Current assets			
Inventories	8	29	29
Trade and other receivables	9	912	954
Cash and cash equivalents	10	2	2
Total current assets		943	985
Total assets		3,149	3,630
Equity			
Share capital	13	-	-
Retained earnings		(590)	117
Total equity		(590)	117
Liabilities			
Non-current liabilities			
Deferred tax liabilities	12	-	24
Total non-current liabilities		-	24
Trade and other payables	11	3,739	3,489
Total current liabilities		3,739	3,489
Total liabilities		3,739	3,513
Total equity and liabilities		3,149	3,630

These non-statutory financial statements were approved by the board of directors on 29 June 2018 and signed on its behalf by:



C Kula
Director

Company registration number: FC032921

The notes on pages 13 to 26 form an integral part of these non-statutory financial statements.

BPH Acquisition 2 Salford Limited

Statement of changes in equity for the year ended 31 December 2017

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017	-	117	117
Comprehensive income:			
Loss for the financial year	-	(707)	(707)
Total comprehensive income for the year	-	(707)	(707)
Balance at 31 December 2017	-	(590)	(590)
	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2016	-	321	321
Comprehensive income:			
Loss for the financial year	-	(204)	(204)
Total comprehensive income for the year	-	(204)	(204)
Balance at 31 December 2016	-	117	117

The notes on pages 13 to 26 form an integral part of these non-statutory financial statements.

BPH Acquisition 2 Salford Limited

Cash flow statement

for the year ended 31 December 2017

	<i>Note</i>	2017 £'000	2016 £'000
Cash flows from operating activities			
Loss for the year		(707)	(204)
<i>Adjustments for:</i>			
Depreciation and amortisation		615	358
Grant release		15	(9)
Taxation		(24)	24
		(101)	169
(Decrease)/increase in trade and other receivables		42	(111)
Increase in inventories		-	(16)
Increase in trade and other payables		235	2,506
Net cash from operating activities		176	2,548
Cash flows from investing activities			
Acquisition of property, plant and equipment	7	(176)	(3,003)
Proceeds from receipt of franchisor contribution		-	457
Net cash from investing activities		(176)	(2,546)
Net increase/(decrease) in cash and cash equivalents		-	2
Cash and cash equivalents at start of the year		2	-
Cash and cash equivalents at end of year	10	2	2

The notes on pages 13 to 26 form an integral part of these non-statutory financial statements.

BPH Acquisition 2 Salford Limited

Notes

forming part of the non-statutory financial statements

1 Accounting policies and basis of preparation

BPH Acquisition 2 Salford Limited (the "Company") is a private Company incorporated and domiciled in the Cayman Islands. The registered number is FC032921 and the registered address is PO Box 309, Uglan House, Grand Cayman, KY1 1104.

As the Company is registered in Grand Cayman, there is no requirement to prepare, have audited or disclose financial statements. However, the directors have decided to prepare these non-statutory financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU ("Adopted IFRS") and as if the requirements of the Companies Act 2006 were to apply.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these non-statutory financial statements.

These non-statutory financial statements are presented in £GBP, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise stated.

1.1 Measurement convention

The non-statutory financial statements are prepared on the historical cost basis.

1.2 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 2 and 3.

The external commercial environment is expected to remain competitive. However, the directors remain confident that they will increase activities and improve current levels of performance in the future.

Capital management and treasury activities are co-ordinated centrally across the Group. The directors acknowledge the net liability position of the Company as reflected in the statement of financial position and proportion of liabilities due to fellow Group companies. The directors have received acknowledgement from the Group that these liabilities will not be called for payment to the detriment of the Company's ability to discharge its liabilities as they fall due in the normal course of business.

Moreover, the directors are satisfied that the Group will have adequate liquidity to ensure all debts can be discharged as they fall due.

Accordingly, they have adopted the going concern basis in preparing these non-statutory financial statements.

BPH Acquisition 2 Salford Limited

Notes (continued)

1 Accounting policies (continued)

1.3 Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these non-statutory financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and accumulated impairment losses.

BPH Acquisition 2 Salford Limited

Notes (continued)

1 Accounting policies (continued)

1.5 Property, plant and equipment (continued)

Depreciation is charged to the statement of profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Furniture, fixtures and fittings over 4 to 7 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

1.6 Inventories

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

1.7 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and the loss event that had a negative effect on the estimated future cash flows of that asset can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in the profit or loss account. Interest on the impaired asset continues to be recognised through unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

1.8 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of profit and loss in the periods during which services are rendered by employees.

1.9 Revenue

Revenue represents sales (excluding VAT) of goods and services net of discounts provided in the normal course of business and is recognised when services have been rendered.

Revenue is derived from hotel operations and includes the rental of rooms, food and beverage sales, leisure centre sales and membership. Revenue is recognised when rooms are occupied and food and beverages are sold. Leisure centre membership revenue is recognised over the life of the membership.

BPH Acquisition 2 Salford Limited

Notes (continued)

1 Accounting policies (continued)

1.10 Expenses

Operating lease payments

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

1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the statement of financial position date.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.12 Adopted IFRS not yet applied

The non-statutory financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU.

A number of new standards are effective for annual periods beginning after 1 January 2018 with earlier application permitted, however the Company has not early adopted the new or amended standards in preparing these non-statutory financial statements.

The following standards have been reviewed by management and have been given consideration as to their impact on the Company's non-statutory financial statements in the period of initial application:

IFRS 9 Financial instruments (effective 1 January 2018)

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

IFRS 9 contains a new classification and measurement approach for financial assets which reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets measured at (i) amortised cost; (ii) fair value through other comprehensive income (FVOCI) and (iii) fair value through profit and loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

BPH Acquisition 2 Salford Limited

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 Adopted IFRS not yet applied (continued)

Based on their initial assessment, management do not believe that the new classification requirements will have a material impact on the Company's accounting for trade receivables and loans.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model for impairment purposes. This new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Based on work completed to date and the historic level of bad debt write-offs, the Company does not believe that the new requirements will have a significant impact on trade receivables.

IFRS 9 largely retains the existing requirements in IAS 39 for classification of financial liabilities.

However, under IAS 39 all fair value changes in liabilities designated as FVTPL are recognised in profit or loss, whereas under IFRS 9 such fair value changes are generally presented as follows:

- the amount of change in fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in fair value is presented in profit or loss.

The Company has not designated any financial liabilities at FVTPL and has no current intention to do so. As such, management's initial assessment has not identified any material changes regarding the classification of financial liabilities at 1 January 2018.

IFRS 15 Revenue from contracts with customers (effective 1 January 2018)

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The objective of IFRS 15 is to clarify the principles of revenue recognition with the core principle of recognising revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Company revenue is recognised in line with the accounting policy at note 1. Given the limited number of revenue streams generated by the Company, the adoption of IFRS 15 is not expected to have a material impact on revenue recognition.

IFRS 16 Leases (effective 1 January 2019)

IFRS 16 replaces existing lease guidance, including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases – incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a lease.

BPH Acquisition 2 Salford Limited

Notes (continued)

1 Accounting policies (continued)

1.12 Adopted IFRS not yet applied (continued)

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Company has completed an initial assessment of the potential impact on its non-statutory financial statements but has not yet completed its detailed assessment. Based on the results of work completed to date, management do not envisage the adoption of IFRS 16 to have a material impact on the Company's statement of financial position.

In addition, the following amended standards and interpretations are not expected to have a significant impact on the Company's non-statutory financial statements:

- Annual improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28
- IFRIC 22: Foreign Currency Transactions and Advance Consideration
- IFRIC 23: Uncertainty over Income Tax Treatments.

2 Revenue

	2017 £'000	2016 £'000
Provision of hotel services and supply of goods	4,083	2,982
	4,083	2,982

All revenue derives from the Company's principal activity which is carried out in the United Kingdom.

BPH Acquisition 2 Salford Limited

Notes *(continued)*

3 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period analysed by category was as follows:

	2017 No.	2016 No.
Management, sales and administration staff	41	39

The aggregate payroll costs of these persons were as follows:

	2017 £'000	2016 £'000
Wages and salaries	861	821
Social security costs	66	61
Contributions to defined contribution plans	8	10
	935	892

4 Directors' remuneration

The directors did not receive any emoluments for services provided to the Company during the year (2016: £Nil).

5 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2017 £000	2016 £000
Depreciation of tangible fixed assets: Owned by the company	615	358

Auditor remuneration is borne by Bryant Park Employees and Services 2 Limited, a fellow group undertaking.

BPH Acquisition 2 Salford Limited

Notes (continued)

6 Taxation

(a) Income tax recognised in profit and loss	2017 £'000	2016 £'000
<i>Current tax</i>		
Current tax on profit for the year	-	-
	-	-
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(24)	28
Impact of change in tax rates	-	(4)
	(24)	24
Total tax (credit)/expense	(24)	24

(b) Reconciliation of effective tax rate

The tax credit+ for the period is lower (2016: lower credit) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £'000	2016 £'000
Loss before tax	(731)	(180)
Tax using the UK corporation tax rate of 19.25% (2016: 20%)	(141)	(36)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	9	10
Group relief surrendered/(received) not paid for	19	54
Impact of change in tax rates	-	(4)
Deferred tax not recognised	89	-
Total tax (credit)/expense	(24)	24

(c) Unrecognised deferred tax asset

The Company has not recognised a deferred tax asset in respect of accelerated capital allowances totalling £152k (2016:£Nil) and other temporary differences of £3k (2016:£Nil) subject to changes in tax legislation, the directors are not certain that there will be sufficient taxable profits arising in the foreseeable future to utilise these unclaimed allowances. The directors have concluded that there is currently insufficient evidence to support recognition of a deferred tax asset.

BPH Acquisition 2 Salford Limited

Notes (continued)

6 Taxation (continued)

(d) Factors which may affect future tax charges

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The Finance Act 2016 further reduced the 18% rate to 17% with effect from 1 April 2020, following substantial enactment on 6 September 2016. Together this will reduce the Company's future tax charge accordingly.

7 Property, plant and equipment	Fixtures & fittings £'000	Total £'000
Cost		
Balance at 1 January 2016	-	-
Additions	3,003	3,003
Balance at 31 December 2016	3,003	3,003
Balance at 1 January 2017	3,003	3,003
Additions	176	176
Balance at 31 December 2017	3,179	3,179
Depreciation and impairment		
Balance at 1 January 2016	-	-
Depreciation charge for the year	358	358
Balance at 31 December 2016	358	358
Balance at 1 January 2017	358	358
Depreciation charge for the year	615	615
Balance at 31 December 2017	973	973
Net book value		
At 1 January 2016	-	-
At 31 December 2016	2,645	2,645
At 31 December 2017	2,206	2,206

BPH Acquisition 2 Salford Limited

Notes (continued)

8 Inventories

	2017 £'000	2016 £'000
Goods for resale and consumables	29	29
	<u>29</u>	<u>29</u>

9 Trade and other receivables

	2017 £'000	2016 £'000
<i>Current assets</i>		
Trade receivables	121	227
Amounts due from group undertakings	759	689
Amounts due from related parties	-	-
Prepayments and accrued income	32	38
	<u>912</u>	<u>954</u>

Amounts due from group undertakings are unsecured, interest free and repayable on demand.

10 Cash and cash equivalents

	2017 £'000	2016 £'000
Cash and cash equivalents per statement of financial position	2	2
	<u>2</u>	<u>2</u>
Cash and cash equivalents per cash flow statement	2	2
	<u>2</u>	<u>2</u>

BPH Acquisition 2 Salford Limited

Notes (continued)

11 Trade and other payables

	2017 £'000	2016 £'000
<i>Current liabilities</i>		
Trade payables	33	262
Amounts owed to group undertakings	2,818	2,524
Accrued expenses	313	226
Deferred income	465	471
Other taxation and social security	109	5
Other payables	1	1
	3,739	3,489

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

12 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
	2017	2016	2017	2016	2017	2016
	£'000	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	-	-	-	24	-	24
Tax (assets)/liabilities	-	-	-	24	-	24
Net tax (assets)/liabilities	-	-	-	24	-	24

BPH Acquisition 2 Salford Limited

Notes (continued)

12 Deferred tax assets and liabilities (continued)

Movement in deferred tax during the year

	1 January 2017 £'000	Recognised in income £'000	Recognised in equity £'000	31 December 2017 £'000
Property, plant and equipment	(24)	24	-	-
Deferred tax asset/(liabilities)	<u>(24)</u>	<u>24</u>	<u>-</u>	<u>-</u>

Movement in deferred tax during the prior year

	1 January 2016 £'000	Recognised in income £'000	Recognised in equity £'000	31 December 2016 £'000
Property, plant and equipment	-	(24)	-	(24)
Deferred tax asset/(liabilities)	<u>-</u>	<u>(24)</u>	<u>-</u>	<u>(24)</u>

13 Capital and reserves

	2017 £'000	2016 £'000
Share capital		
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1	-	-
Shares classified in shareholders' funds	<u>-</u>	<u>-</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

BPH Acquisition 2 Salford Limited

Notes (continued)

14 Contingencies

The Company is party to a composite guarantee provided to Deutsche Bank AG in connection with loans held by BPH Regional Hospitality Group Limited and BPH Subholdco Limited which at 31 December 2017 amounted to £45,870,000 and £277,513,500 respectively. Deutsche Bank AG holds a fixed charge over the Company's assets, together with those of certain other Group undertakings, in this regard.

15 Commitments

Capital commitments

At 31 December 2017, the Company had entered into contracts to purchase property plant and equipment for £3k (2016: £27k). These commitments are expected to be settled in the following financial year.

16 Operating leases

The Company had no commitments under non-cancellable operating leases at 31 December 2017 (2016: £Nil).

17 Related party transactions

Under IAS 24, *Related Party Disclosures*, the Company has a related party relationship with shareholders and key management personnel, including directors of the Company.

Parent and ultimate controlling party

The Company's immediate parent undertaking is BPH Acquisition 2 Limited, a company incorporated in the Cayman Islands. BPH Acquisition 2 Limited is a wholly owned subsidiary of BPH Subholdco Limited which in turn is a wholly owned subsidiary of BPH Holdco Limited, itself a wholly owned subsidiary of BPH Regional Hospitality Group Limited, all of which are incorporated in the United Kingdom. The issued share capital of BPH Regional Hospitality Group Limited is owned in full by Bryant Park Hospitality Limited, a company incorporated in the Cayman Islands. The share capital of Bryant Park Hospitality Limited is indirectly owned by Maples and Calder who hold the shares issued in trust for charitable purposes.

The ultimate controlling parties are Marathon European CRE Opportunity Fund and Marathon European Credit Opportunity Fund II.

The only group in which the results of the Company are consolidated is that headed by Bryant Park Hospitality Limited. The consolidated financial statements of this Group are not available to the public.

The following transactions were conducted with related parties during the year:

	2017 £'000	2016 £'000
Management fees payable to Bryant Park Hospitality Limited	28	20
Management fees payable to fellow subsidiary undertakings of Bryant Park Hospitality Limited	111	81
Recharge of expenses from fellow subsidiary undertakings of Bryant Park Hospitality Limited	127	52

BPH Acquisition 2 Salford Limited

Notes (continued)

17 Related party transactions (continued)

The following balances remain outstanding at year end:

	2017 £'000	2016 £'000
<i>Receivables:</i>		
Amounts owed by BPH Acquisition 2 Limited	321	321
Amounts owed by fellow subsidiary undertakings of Bryant Park Hospitality Limited	438	368
Amounts owed by asset manager	-	-
<i>Payables:</i>		
Amounts owed to Bryant Park Hospitality Limited	(2)	(1)
Amounts owed to BPH Acquisition 1 Limited	(485)	(12)
Amounts owed to fellow subsidiary undertakings of Bryant Park Hospitality limited	(2,331)	(2,511)

Remuneration of key management

Key management is defined as the directors of the Company. Details of remuneration paid are outlined in note 4 above.

18 Subsequent events

There were no significant events subsequent to the reporting date.