

Registration number: 00149618

Caparo Hotels Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018



Caparo Hotels Limited

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Caparo Hotels Limited

Company Information

| | |
|--------------------------|---|
| Directors | D P Dancaster The Honourable Ambar Paul |
| Company secretary | Goodwille Limited |
| Registered office | Caparo House 103 Baker Street London W1U 6LN United Kingdom |
| Auditor | Deloitte LLP Statutory Auditor Nottingham United Kingdom |

Caparo Hotels Limited

Directors' Report for the Year Ended 31 December 2018

The directors present their report and the audited financial statements for the year ended 31 December 2018.

Directors of the company

The directors who held office during the year and to the date of this report were as follows:

D P Lancaster

The Honourable Ambar Paul

Results

The principal activity of the company is the operation of, and trading in, hotel properties.

The Profit and Loss account is set out on page 8 and shows a loss for the year of £394,762 (2017 - £423,443).

Fair review of the business

The company owns and operates hotels in the UK. Caparo Hotels Limited made an operating loss for the year of £394,762 (2017: £423,443) on a turnover of £1,356,528 (2017: £1,771,152).

On 30 April 2018 Caparo Hotels Limited sold the business and assets of the Bignell Park Hotel, near Bicester, for a net consideration of £1.3m. With the absence for much of the year of the Bignell Park Hotel, sales for Caparo Hotels in 2018 were reduced against 2017. The company's remaining hotel property, The Osborne Hotel, Torquay, managed to maintain room rates in line with 2017, but saw occupancy levels reduced from 65% to 58% for the year, despite better weather, but against a backdrop of a substantial drop in visitors in the Torbay area. However, the investment in 2017 in the creation of a dedicated function room saw an increase in revenue from this area, and related food and beverage income. As a result, total income for the Osborne for 2018 was similar to 2017, but with well controlled costs, operating losses were reduced. The hotel expects to see further development of its function business in the future. The hotel also invested in a major refurbishment of its indoor swimming pool and changing rooms in 2018. The Group has continued with its programme of investment in Caparo Hotels during 2019, with ongoing refurbishment of the Osborne's rear-facing bedrooms and bathrooms and communal areas.

Performance of the company's hotel activities remains exposed to variations in the weather, the economic climate, and local competitor activity.

Financial risk management policies and objectives

Objectives and policies

The company holds or issues financial instruments to finance its operations and enters into contracts to manage risks arising from those operations and its sources of finance in accordance with its accounting policies.

Price risk, credit risk, liquidity risk and cash flow risk

Operations and working capital requirements are financed by a mixture of the company's retained cash, and short term parent company and bank loans. The company enjoys the continued support of its parent and is not reliant on external funding.

Caparo Hotels Limited

Directors' Report for the Year Ended 31 December 2018 (continued)

Going concern

The company made a loss in the year and has net current liabilities and a net liabilities position. The company is dependent on the support of the parent company to continue as a going concern. The directors forecasts and projections, taking account of reasonably possible future changes in trading performance, show that the parent company should be able to operate within its current level of facilities and provide continued support to the company for the next 12 months from the date of sign off of these financial statements.

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

Future developments

The directors expect the company to continue in the operation of, and trading in hotel properties during 2019.

While the timing and nature of the departure of the UK from the European Union remains uncertain, it is not expected to have a material effect on the company.

Post balance sheet events

Subsequent to the year end, the company has continued to trade normally during 2019. No material event has occurred that would require any of the balances in these financial statements to be revised or restated.

Directors' liabilities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Disclosure of information to the auditor

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 are unaware. The confirmation is given and should be interpreted in accordance with the provisions of S148 of the Companies Act 2006.


Reappointment of auditor

In accordance with section 487 of the Companies Act 2006, a resolution for the re-appointment of Deloitte LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

Small companies provision statement

In preparing the Directors' Report, advantage has been taken of the small companies' exemptions under the Companies Act 2006. As a result of the small companies' exemption, the company is not required to prepare a Strategic Report.

Approved and authorised for issue by order of the board of directors on 30/9/19 and signed on its behalf by:



D P Dancaster
Director

Caparo Hotels Limited

Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Caparo Hotels Limited

Independent Auditor's Report to the Members of Caparo Hotels Limited

Report on the audit of the financial statements

Opinion on the financial statements

In our opinion the financial statements of Caparo Hotels Limited ('the company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive loss;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

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

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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 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 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.

Caparo Hotels Limited

Independent Auditor's Report to the Members of Caparo Hotels 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

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

Caparo Hotels Limited

Independent Auditor's Report to the Members of Caparo Hotels Limited (continued)

Matters on which we are required to report by exception

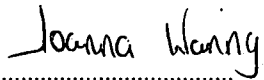
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

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



Joanna Waring (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor

Nottingham
United Kingdom

Date: 30 September 2019

Caparo Hotels Limited

Profit and Loss Account for the Year Ended 31 December 2018

| | Note | 2018 £ | 2017 £ |
|---------------------------------------|------|-------------------------|-------------------------|
| Turnover | 3 | 1,356,528 | 1,771,152 |
| Cost of sales | | <u>(229,710)</u> | <u>(267,726)</u> |
| Gross profit | | 1,126,818 | 1,503,426 |
| Administrative expenses | | (1,663,539) | (2,161,753) |
| Other operating income | 4 | <u>130,419</u> | <u>141,048</u> |
| Operating loss | 5 | (406,302) | (517,279) |
| Interest payable and similar expenses | 6 | <u>(885)</u> | <u>(4,564)</u> |
| Loss before tax | | (407,187) | (521,843) |
| Taxation | 10 | <u>12,425</u> | <u>98,400</u> |
| Loss for the financial year | | <u><u>(394,762)</u></u> | <u><u>(423,443)</u></u> |

The above results were derived from continuing operations.

Caparo Hotels Limited

Statement of Comprehensive Loss for the Year Ended 31 December 2018

| | Note | 2018 £ | 2017 £ |
|---|------|------------------|------------------|
| Loss for the year | | (394,762) | (423,443) |
| Surplus/(deficit) on revaluation of tangible fixed assets | | 117,649 | (27,970) |
| Deferred tax on revaluation | | (20,000) | - |
| Deferred tax on disposal of assets | | 66,826 | - |
| | | <u>164,475</u> | <u>(27,970)</u> |
| Total comprehensive loss for the year | | <u>(230,287)</u> | <u>(451,413)</u> |

The notes on pages 12 to 25 form an integral part of these financial statements.

Caparo Hotels Limited

(Registration number: 00149618)
Balance Sheet as at 31 December 2018

| | Note | 2018 £ | 2017 £ |
|--|------|-------------|-------------|
| Fixed assets | | | |
| Tangible assets | 11 | 1,917,405 | 3,163,904 |
| Current assets | | | |
| Stocks | 12 | 16,286 | 25,512 |
| Debtors | 13 | 152,489 | 511,106 |
| Cash at bank and in hand | 14 | 40,353 | 1,253 |
| | | 209,128 | 537,871 |
| Creditors: Amounts falling due within one year | 15 | (4,313,485) | (5,599,189) |
| Net current liabilities | | (4,104,357) | (5,061,318) |
| Total assets less current liabilities | | (2,186,952) | (1,897,414) |
| Provisions for liabilities | 10 | (188,178) | (247,429) |
| Net liabilities | | (2,375,130) | (2,144,843) |
| Capital and reserves | | | |
| Called up share capital | 19 | 17,056 | 17,056 |
| Revaluation reserve | 19 | 1,068,135 | 1,296,756 |
| Profit and loss account | 19 | (3,460,321) | (3,458,655) |
| Total shareholders deficit | | (2,375,130) | (2,144,843) |

These financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

Approved and authorised by the Board on 30/9/19 and signed on its behalf by:



D P Dancaaster
Director

Caparo Hotels Limited

Statement of Changes in Equity for the Year Ended 31 December 2018

| | Share capital £ | Revaluation reserve £ | Profit and loss account £ | Total £ |
|---|--------------------|-----------------------------|---------------------------------|-------------|
| At 1 January 2018 | 17,056 | 1,296,756 | (3,458,655) | (2,144,843) |
| Loss for the year | - | - | (394,762) | (394,762) |
| Other comprehensive income | - | - | - | - |
| Surplus/(deficit) on revaluation of tangible fixed assets | - | 117,649 | - | 117,649 |
| Deferred tax on revaluation | - | (20,000) | - | (20,000) |
| Deferred tax on disposal of assets | - | 66,826 | - | 66,826 |
| Total comprehensive loss | - | 164,475 | (394,762) | (230,287) |
| Disposals of revalued assets | - | (383,561) | 383,561 | - |
| Difference between actual and historic depreciation | - | (9,535) | 9,535 | - |
| At 31 December 2018 | 17,056 | 1,068,135 | (3,460,321) | (2,375,130) |
| | Share capital £ | Revaluation reserve £ | Retained earnings £ | Total £ |
| At 1 January 2017 | 17,056 | 1,327,133 | (3,037,619) | (1,693,430) |
| Loss for the year | - | - | (423,443) | (423,443) |
| Other comprehensive loss | - | (27,970) | - | (27,970) |
| Total comprehensive loss | - | (27,970) | (423,443) | (451,413) |
| Difference between actual and historical depreciation | - | (2,407) | 2,407 | - |
| At 31 December 2017 | 17,056 | 1,296,756 | (3,458,655) | (2,144,843) |

The notes on pages 12 to 25 form an integral part of these financial statements.

Caparo Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 General information

The company is incorporated, registered and domiciled in England and Wales. It is a private company limited by shares.

The principal activity is the operation of, and trading in, hotel properties.

The functional currency of the company is considered to be pounds Sterling because that is the primary economic environment in which the company operates.

The address of its registered office is:

Caparo House
103 Baker Street
London
W1U 6LN
United Kingdom

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of accounting

The financial statements have been prepared under the historic cost convention, modified for fair value of certain assets and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Summary of disclosure exemptions

Caparo Hotels Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel. Exemption has also been taken under Section 33.1A of FRS 102 not to disclose related party transactions between the company, its parent company and all wholly owned subsidiaries.

Going concern

The company made a loss in the year, has net current liabilities and net liabilities. The company is dependent on the support of the parent company to continue as a going concern. The directors forecasts and projections, taking account of reasonably possible future changes in trading performance, show that the parent company should be able to operate within its current level of facilities and provide continued support to Caparo Hotels Limited for the next 12 months.

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

Caparo Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The estimates and associated assumptions are based on historical assumptions and other factors that are considered to be relevant. There were no key judgements relating to these financial statements.

Hotel Premises

There are a number of estimates involved in assessing the fair value of the company's hotel properties and the directors have engaged independent professional qualified valuers, as disclosed in note 11.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The company recognises revenue when:

The amount of revenue can be reliably measured;

it is probable that future economic benefits will flow to the entity;

and specific criteria have been met for each of the company's activities.

Tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences. Deferred tax relating to investment property is measured using the tax rates and allowances that apply to the sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expenses or income.

Caparo Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Accounting policies (continued)

Tangible assets

Tangible assets other than Hotel premises are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Hotel assets being land and buildings are subject to a full valuation with sufficient regularity to ensure that the carrying value does not differ materially from the fair value. The values are derived from the current market prices for comparable real estate determined annually by external valuers. The valuers use observable market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset, with the surplus or deficit on the revaluation over the current value transferred to the revaluation reserve.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is provided to write off the cost, or valuation, less the estimated residual value of tangible fixed assets by equal instalments over their expected useful economic life, as follows:

| Asset class | Depreciation method and rate |
|---|------------------------------|
| Freehold building | 2% per annum |
| Plant and machinery | 10 - 20% per annum |
| Furniture, equipment and soft furnishings | 10 - 20% per annum |
| Computers | 20% per annum |
| Building surfaces and finishes | 2 - 20% per annum |

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price. Cost is determined using the first-in, first-out (FIFO) method. Costs include value of raw materials.

At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Caparo Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Accounting policies (continued)

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Caparo Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Caparo Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Accounting policies (continued)

Financial instruments (continued)

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment 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.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Caparo Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

3 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

| | 2018 £ | 2017 £ |
|---------------------|------------------|------------------|
| Operation of hotels | <u>1,356,528</u> | <u>1,771,152</u> |

The company's revenue for the year arose solely in UK.

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

| | 2018 £ | 2017 £ |
|-----------------|----------------|----------------|
| Management fees | <u>130,419</u> | <u>141,048</u> |

5 Operating loss

Arrived at after charging

| | 2018 £ | 2017 £ |
|--|-----------------|-----------|
| Depreciation expense | 83,070 | 101,733 |
| Operating lease expense - plant and machinery | 3,254 | 1,306 |
| Gain on disposal of property, plant and equipment | <u>(19,697)</u> | <u>-</u> |
| During the year, the Bignell Park Hotel was sold for a net consideration of £1.3m. | | |

6 Interest payable and similar charges

| | 2018 £ | 2017 £ |
|--|------------|--------------|
| Interest on bank overdrafts and borrowings | <u>885</u> | <u>4,564</u> |

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

| | 2018 £ | 2017 £ |
|--|----------------|------------------|
| Wages and salaries | 847,079 | 1,020,573 |
| Social security costs | 56,826 | 60,451 |
| Pension costs, defined contribution scheme | <u>28,719</u> | <u>25,170</u> |
| | <u>932,624</u> | <u>1,106,194</u> |

Caparo Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

7 Staff costs (continued)

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

| | 2018 No. | 2017 No. |
|----------------------------|-------------|-------------|
| Production | 51 | 65 |
| Administration and support | 4 | 5 |
| | <u>55</u> | <u>70</u> |

8 Directors' remuneration

No Director received any remuneration in the current year or the previous year in relation to services provided to this company. The current Directors are remunerated by fellow subsidiary companies of Caparo Group Limited, the ultimate parent company.

9 Auditor's remuneration

| | 2018 £ | 2017 £ |
|-----------------------------------|--------------|--------------|
| Audit of the financial statements | 19,000 | 15,750 |
| Other fees to auditor | | |
| Taxation compliance services | <u>6,179</u> | <u>4,025</u> |

10 Income tax

Tax credited in the profit and loss account

| | 2018 £ | 2017 £ |
|--|-----------------|------------------|
| Current taxation | | |
| UK corporation tax | - | (106,321) |
| UK corporation tax adjustment to prior periods | <u>-</u> | <u>(22,034)</u> |
| | <u>-</u> | <u>(128,355)</u> |
| Deferred taxation | | |
| Arising from origination and reversal of timing differences | (8,117) | 13,438 |
| Arising from changes in tax rates and laws | 856 | (1,569) |
| Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods | <u>(5,164)</u> | <u>18,086</u> |
| Total deferred taxation | <u>(12,425)</u> | <u>29,955</u> |
| Tax credited in the profit and loss account | <u>(12,425)</u> | <u>(98,400)</u> |

Caparo Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

10 Income tax (continued)

The tax on loss for the year is higher than the standard rate of corporation tax in the UK (2017 - higher than the standard rate of corporation tax in the UK) of 19% (2017 - 19.25%).

The differences are reconciled below:

| | 2018 £ | 2017 £ |
|---|-----------|-----------|
| Loss before tax | (407,187) | (521,843) |
| Corporation tax at standard rate | (77,366) | (100,455) |
| Effect of expense not deductible in determining taxable profit (tax loss) | 6,343 | 7,572 |
| UK deferred tax (credit) relating to changes in tax rates or laws | 856 | (1,569) |
| Decrease in UK and foreign current tax from adjustment for prior periods | (5,164) | (3,948) |
| Tax increase arising from group relief | 62,906 | - |
| Total tax credit | (12,425) | (98,400) |

Deferred tax

Deferred tax assets and liabilities

2018

Fixed asset timing differences
Short term timing differences

Liability £

188,634
(456)
188,178

2017

Fixed asset timing differences
Short term timing differences

Liability £

247,970
(541)
247,429

Deferred tax liabilities:

| | 2018 £ | 2017 £ |
|---|----------------|----------------|
| Provision at start of period | 247,429 | 217,474 |
| Adjustment in respect of prior years | (5,164) | 18,086 |
| Deferred tax (charge)/credit to income statement for the period | (7,261) | 11,869 |
| Deferred tax charge to other comprehensive income | (46,826) | - |
| Provision at end of period | <u>188,178</u> | <u>247,429</u> |

Caparo Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

10 Income tax (continued)

There are £19,193 of unused tax losses (2017 - £Nil) for which no deferred tax asset is recognised in the Balance Sheet, as there is insufficient evidence that the asset will be recovered.

Tax relating to items recognised in other comprehensive income or equity

| | 2018 £ |
|---|---------------|
| Deferred tax related to items recognised as items of other comprehensive income | <u>46,826</u> |

In the 2015 Budget, the Chancellor announced that the main rate of UK corporation tax would be reduced to 19% with effect from 1 April 2017. In the 2016 Budget, the Chancellor announced that the main rate of UK corporation tax would be reduced to 17% with effect from 1 April 2020. The UK deferred tax rate has been recognised at 17%.

11 Tangible assets

| | Land and buildings £ | Plant & Machinery £ | Total £ |
|--------------------------|----------------------------|---------------------------|------------------|
| Cost or valuation | | | |
| At 1 January 2018 | 3,226,194 | 243,160 | 3,469,354 |
| Revaluations | 117,649 | - | 117,649 |
| Additions | 37,426 | - | 37,426 |
| Disposals | (1,581,269) | (32,418) | (1,613,687) |
| At 31 December 2018 | <u>1,800,000</u> | <u>210,742</u> | <u>2,010,742</u> |
| Depreciation | | | |
| At 1 January 2018 | 226,194 | 79,256 | 305,450 |
| Charge for the year | 55,075 | 27,995 | 83,070 |
| Eliminated on disposal | (281,269) | (13,914) | (295,183) |
| At 31 December 2018 | <u>-</u> | <u>93,337</u> | <u>93,337</u> |
| Carrying amount | | | |
| At 31 December 2018 | <u>1,800,000</u> | <u>117,405</u> | <u>1,917,405</u> |
| At 31 December 2017 | <u>3,000,000</u> | <u>163,904</u> | <u>3,163,904</u> |

Land and buildings

| | 2018 £ | 2017 £ |
|---|-----------|-----------|
| Historical cost at 31 December | 1,194,549 | 2,415,939 |
| Accumulated depreciation based on historical cost | 423,541 | 717,407 |

Caparo Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

11 Tangible assets (continued)

During the year, the Bignell Park Hotel was sold for a net consideration of £1.3m.

The company's hotel property was professionally valued at market value by Christie & Co, Chartered Surveyors at a value of £1.8m on the basis of open market value for existing use. The valuation was undertaken in accordance with the Royal Institution of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes. As per the Statement of Changes in Equity on page 11, movements to the Revaluation Reserve in respect of disposals of revalued assets amounted to £383,561 with no impact on the Company's tax position. The valuation was based on the financial results of the hotel for 2018 and the budget for 2019. The valuation was based on the trading performance of the hotel. It took note of the capital expenditure on the hotel during 2018 on refurbishment of the indoor pool, and the trading impact on 2018 of the refurbishment work carried out in 2017 of the restaurant and on establishing a new function room, and the expected refurbishment of the front see-facing rooms in 2019. It also had regard to the activities of other comparable hotels in the Torbay area.

12 Stocks

| | 2018 £ | 2017 £ |
|-------------------|---------------|---------------|
| Other inventories | <u>16,286</u> | <u>25,512</u> |

13 Debtors

| | 2018 £ | 2017 £ |
|---|----------------|----------------|
| Trade debtors | 7,064 | 33,279 |
| Other receivables | 76,552 | 129,523 |
| Group relief (corporation tax) | - | 270,787 |
| Prepayments | <u>68,873</u> | <u>77,517</u> |
| Total current trade and other receivables | <u>152,489</u> | <u>511,106</u> |

14 Cash and cash equivalents

| | Note | 2018 £ | 2017 £ |
|---------------------------|------|---------------|------------------|
| Cash at bank | | 40,353 | 1,253 |
| Bank overdrafts | 16 | <u>-</u> | <u>(125,384)</u> |
| Cash and cash equivalents | | <u>40,353</u> | <u>(124,131)</u> |

Caparo Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

15 Creditors

| | Note | 2018 £ | 2017 £ |
|--|------|------------------|------------------|
| Due within one year | | | |
| Loans and borrowings | 16 | - | 189,817 |
| Trade creditors | | 93,265 | 166,971 |
| Deposits | | 56,128 | 53,272 |
| Amounts due to ultimate parent company | | 4,008,643 | 4,883,121 |
| Social security and other taxes | | 86,931 | 177,285 |
| Outstanding defined contribution pension costs | | 2,876 | 2,296 |
| Other payables | | - | 9,815 |
| Accrued expenses | | 65,642 | 116,612 |
| | | <u>4,313,485</u> | <u>5,599,189</u> |

The amounts owed to ultimate parent company have no fixed repayment date and interest is charged at commercial rates.

16 Loans and borrowings

| | 2018 £ | 2017 £ |
|-------------------------------------|-------------|----------------|
| Current loans and borrowings | | |
| Bank borrowings | - | 64,433 |
| Bank overdrafts | - | 125,384 |
| | <u>-</u> | <u>189,817</u> |
| | <u>2018</u> | <u>2017</u> |
| | <u>£</u> | <u>£</u> |
| In one year or less | - | 189,817 |
| | <u>-</u> | <u>189,817</u> |

Following the sale of the Bignell Park Hotel during the year all bank borrowings were repaid in full and the company was released from all charges over its assets.

Caparo Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

17 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

| | 2018 £ | 2017 £ |
|---|--------------|--------------|
| Not later than one year | 2,280 | 1,306 |
| Later than one year and not later than five years | 6,840 | - |
| | <u>9,120</u> | <u>1,306</u> |

18 Pension and other schemes

Caparo Stakeholder Pension Plan

The company contributes to the Caparo Stakeholder Pension Plan, a UK defined contribution scheme invested through Scottish Friendly. The pension charge in respect of these arrangements was £28,719 (2017: £25,170). At 31 December 2018, employee contributions of £2,876 (2017: £2,296) were payable to the Caparo Stakeholder Pension Plan and are included in creditors.

19 Capital and reserves

Allotted, called up and fully paid shares

| | 2018 | | 2017 | |
|-----------------------------------|---------------|---------------|---------------|---------------|
| | No. | £ | No. | £ |
| 'A' ordinary shares of £0.01 each | 8,400 | 84 | 8,400 | 84 |
| 'B' ordinary shares of £1 each | 10,060 | 10,060 | 10,060 | 10,060 |
| Deferred shares of £1 each | 6,912 | 6,912 | 6,912 | 6,912 |
| | <u>25,372</u> | <u>17,056</u> | <u>25,372</u> | <u>17,056</u> |

The 'A' ordinary shareholders are, in total, entitled to 1/50th of ordinary dividends declared and the 'B' ordinary shareholders are, in total, entitled to 49/50ths of dividends declared. The deferred shares have no dividend entitlement.

In the event of the company being wound up, the deferred shareholders would receive the nominal value of their shares. The 'A' and 'B' ordinary shareholders would receive 1/50th and 49/50ths of the remainder respectively.

In aggregate, the 'A' ordinary shareholders have 1/50th and the 'B' ordinary shareholders have 49/50ths of the voting rights.

Caparo Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

19 Capital and reserves (continued)

The Company's other reserves are as follows:

The revaluation reserve represents the cumulative effect of revaluations of freehold land and buildings which are revalued to fair value at each reporting date.

The profit and loss account represents cumulative profits and losses, net of dividends paid and other adjustments.

20 Related party transactions

Summary of transactions with other related parties

Transactions between two or more members of the group where any subsidiary undertaking party to those transactions is wholly owned by a member of the group have not been disclosed.

The company received net management charges of £11,500 (2017 - £11,500) from a company under the control of a director. At the year end the balance owed to the company was £1,150 (2017 - £1,150).

21 Parent and ultimate parent undertaking

The Right Honourable The Lord Paul of Marylebone, The Honourable Ms Anjli Paul, The Honourable Ambar Paul, and The Honourable Akash Paul, directors of Caparo Group Limited, are jointly and indirectly interested in the whole of the issued share capital of Caparo Group Limited through shareholdings registered in the name of Caparo International Corporation, a company registered in the British Virgin Islands. Caparo International Corporation ultimately holds the issued share capital of Caparo Group Limited on behalf of a series of family trusts.

The company's immediate parent is Caparo plc, incorporated in United Kingdom.

The ultimate parent is Caparo Group Limited, incorporated in United Kingdom.

The only group in which the results of the company are consolidated is that headed by Caparo Group Limited. The registered office address of Caparo Group Limited is Caparo House, 103 Baker Street, London, W1U 6LN. A copy of the consolidated financial statements of Caparo Group Limited are available from Companies House, Cardiff.

22 Non adjusting events after the financial period

Subsequent to the year end, the company has continued to trade normally during 2019. No material event has occurred that would require any of the balances in these financial statements to be revised or restated.