

Hallmark Hotels Limited

Report and Financial Statements

12 Months Ended

29 December 2013

Company Number 01940208

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Hallmark Hotels Limited

Report and financial statements for the period ended 29 December 2013

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Directors

J W Hawksworth
A Schnegg

Secretary and registered office

J W Hawksworth, Fountain Court, 12 Bruntcliffe Way, Morley, Leeds, LS27 0JG

Company number

01940208

Auditors

BDO LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5RU

Hallmark Hotels Limited

Strategic report for the period ended 29 December 2013

The directors present their strategic report together with the audited financial statements for the 12 months ended 29 December 2013.

Principal activities, trading review and future developments

The company's principal activity is that of owning and operating a hotel. There have not been any significant changes in the company's principal activities in the period under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities next year.

As shown in the company's profit and loss account on page 6 the company's turnover has decreased from £2.55m to £2.48m.

Revenue per available room (RevPAR) was £42.45 (2012 - £43.43). This was achieved through an average room rate (ARR) of rooms sold of £59.29 (2012 - £58.08) and an occupancy of 71.6% (2012 - 74.8%). The company's Hotel Operating Profit Percentage (H.O.P.%) was 26.9% (2012 - 28.7%).

The balance sheet on page 8 of the financial statements shows that the company's financial position at the period end. Net liabilities at 29 December 2013 were £118,000 (2012 - assets of £534,000). The directors consider this to be satisfactory, based on the stage of development of the hotel and the charges from other group companies.

The directors do not recommend payment of a final ordinary dividend.

Principal risks and uncertainties

The company is exposed to any risks associated with the hotel industry such as new hotel openings close to its existing site and any general downturn in the hotel industry. Market intelligence suggests that there will be growth in the provincial UK hotel market in 2014 and the recent capital expenditure programme the company has undergone leaves it well placed to compete in this market.

As shown in note 21 of the accounts the company provides security to its parent undertakings bank loans. The parent undertaking has taken appropriate measures to ensure that interest rate protection instruments are in place in order to minimise interest rate exposure.

Approval

This strategic report was approved on behalf of the Board on 4 July 2014


J W Hawksworth

Director

Hallmark Hotels Limited

Report of the directors for the period ended 29 December 2013

The directors present their report together with the audited financial statements for the 12 months ended 29 December 2013.

Directors

The directors of the company during the period were:

J W Hawksworth
A Schnegg

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Hallmark Hotels Limited

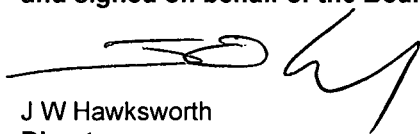
Report of the directors for the period ended 29 December 2013 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

**Approved by the Board of Directors
and signed on behalf of the Board**



J W Hawksworth
Director

4 July 2014

Hallmark Hotels Limited

Independent auditor's report

TO THE MEMBER OF HALLMARK HOTELS LIMITED

We have audited the financial statements of Hallmark Hotels Limited for the 12 months ended 29 December 2013 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profit and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member 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 member 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 member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 December 2013 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

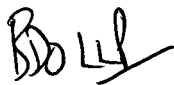
Hallmark Hotels Limited

Independent auditor's report (*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.



*Paul Davies (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Leeds
United Kingdom*

4 July 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Hallmark Hotels Limited

Profit and loss account for the period ended 29 December 2013

	Note	12 months ended 29 December 2013 £000	12 months ended 30 December 2012 £000
Turnover	2	2,476	2,554
Cost of sales		(278)	(326)
Gross profit		2,198	2,228
Administrative expenses		(1,842)	(1,773)
Operating profit	5	356	455
Interest payable and similar charges	6	(181)	(189)
Profit on ordinary activities before taxation		175	266
Taxation on loss from ordinary activities	7	-	-
Profit on ordinary activities after taxation		175	266

All amounts relate to continuing activities.

The notes on pages 9 to 17 form part of these financial statements.

Hallmark Hotels Limited

Statement of total recognised gains and losses, and note of historical cost profits and losses for the period ended 29 December 2013

	Note	12 months ended 29 December 2013 £000	12 months ended 30 December 2012 £000
Statement of total recognised gains and losses			
Profit for the financial period		175	266
Unrealised (deficit)/surplus on revaluation of properties	13	(827)	623
Total recognised gains and losses for the period		(652)	889
	Note	12 months ended 29 December 2013 £000	12 months ended 30 December 2012 £000
Note of historical cost profits and losses			
Reported profit on ordinary activities before taxation		175	266
Difference between historical cost depreciation charge and actual depreciation charge for year calculated on the revalued amount	13	16	13
Historical cost profit on ordinary activities before and after taxation		191	279

The notes on pages 9 to 17 form part of these financial statements.

Hallmark Hotels Limited

Balance sheet at 29 December 2013

<i>Company number 01940208</i>	Note	29 December 2013 £000	29 December 2013 £000	30 December 2012 £000	30 December 2012 £000
Fixed assets					
Tangible assets	8		6,000		7,000
Current assets					
Stocks	9	43		31	
Debtors	10	90		118	
Cash at bank and in hand		91		111	
		<u>224</u>		<u>260</u>	
Creditors: amounts falling due within one year	11	<u>(6,342)</u>		<u>(6,726)</u>	
Net current liabilities			<u>(6,118)</u>		<u>(6,466)</u>
			<u>(118)</u>		<u>534</u>
Capital and reserves					
Called up share capital	12		208		208
Revaluation reserve	13		1,819		2,662
Other reserves	13		18		18
Profit and loss account	13		(2,163)		(2,354)
Shareholder's (deficit)/funds			<u>(118)</u>		<u>534</u>

The financial statements were approved by the Board of Directors and authorised for issue on 4 July 2014


J W Hawksworth
Director

The notes on pages 9 to 17 form part of these financial statements.

Hallmark Hotels Limited

Notes forming part of the financial statements for the period ended 29 December 2013

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and are in accordance with applicable accounting standards:

The following principal accounting policies have been applied:

Going concern

The company is supported by an inter-company loan from the company's immediate parent undertaking, Hallmark Hotels Holdings Limited. Inter-company loans are managed on a group wide basis, therefore the company has obtained confirmation that Hallmark Hotels Investments Limited, the parent company, will continue to provide financial support to the company for at least twelve months from the date of approval of these accounts. Based on this and the cash flow forecasts for the Hallmark Hotels Investments group the directors have prepared the financial statements on a going concern basis.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax. Invoices are issued to customers during the period once accommodation and other services have been provided.

Land and buildings

FRS 15 requires fixed assets which are carried at revalued amounts to be shown at their current value at the balance sheet date. To achieve this land and buildings are subject to a full valuation every five years with an interim valuation carried out by the directors each year.

The profit or loss on disposal of revalued properties is calculated by reference to net book value and any realised revaluation surplus is transferred to the profit and loss account through reserves.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, except freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Freehold property	-	Up to 50 years straight line
Fixtures, fittings and equipment	-	4-20 years straight line

Stocks

Stocks are valued at the lower of cost and net realisable value.

Hallmark Hotels Limited

Notes forming part of the financial statements for the period ended 29 December 2013 (*continued*)

1 Accounting policies (*continued*)

Taxation

The charge for taxation is based on the profit for the year and taken into account taxation deferred.

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

Hallmark Hotels Limited

Notes forming part of the financial statements
for the period ended 29 December 2013 (*continued*)

3 Employees

	12 months ended 29 December 2013 £000	12 months ended 30 December 2012 £000
Staff costs consist of:		
Wages and salaries	792	778
Social security costs	46	47
	<u>838</u>	<u>825</u>
	Number	Number
Average monthly number of employees (including directors):		
Management	17	11
Service staff	52	63
	<u>69</u>	<u>74</u>

4 Directors emoluments

The emoluments of the directors of the company are accounted for in Hallmark Hotels Holdings Limited.

5 Operating profit

	12 months ended 29 December 2013 £000	12 months ended 30 December 2012 £000
This has been arrived at after charging:		
Depreciation - owned assets	295	272
Depreciation - leased assets	14	7
Operating lease rentals	8	11
	<u></u>	<u></u>

Auditors remuneration of £4,000 (2012 - £4,000) has been accounted for in the company's parent undertaking, Hallmark Hotels Holdings Limited.

6 Interest payable and similar charges

	12 months ended 29 December 2013 £000	12 months ended 30 December 2012 £000
Interest on loans due to parent undertaking	181	189
	<u></u>	<u></u>

Hallmark Hotels Limited

Notes forming part of the financial statements
for the period ended 29 December 2013 (*continued*)

7 Taxation on loss from ordinary activities

	12 months ended 29 December 2013 £000	12 months ended 30 December 2012 £000
<i>Current tax</i>		
UK corporation tax on loss of the period	-	-

The tax assessed for the period is different than the standard rate of corporation tax in the UK. The differences are explained below:

	12 months ended 29 December 2013 £000	12 months ended 30 December 2012 £000
Profit on ordinary activities before tax	175	266
Profit on ordinary activities at the standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%)	41	65
<i>Effects of:</i>		
Expenses not deductible for tax purposes	6	5
Group relief for £Nil consideration	-	-
Depreciation for period in excess of capital allowances	39	38
Utilisation of losses brought forward	(86)	(108)
Current tax charge for period	-	-

Hallmark Hotels Limited

Notes forming part of the financial statements
for the period ended 29 December 2013 (*continued*)

8 Tangible assets

	Freehold land and buildings £000	Furniture fittings and equipment £000	Totals £000
<i>Cost or valuation</i>			
At 31 December 2012	6,181	2,174	8,355
Additions	107	29	136
Revaluation	(1,018)	-	(1,018)
At 29 December 2013	5,270	2,203	7,473
<i>Depreciation</i>			
At 31 December 2012	-	(1,355)	(1,355)
Provided for the period	(191)	(118)	(309)
Revaluation	191	-	191
At 29 December 2013	-	(1,473)	(1,473)
<i>Net book value</i>			
At 29 December 2013	5,270	730	6,000
At 30 December 2012	6,181	819	7,000

The historical cost of freehold land and buildings is:

	29 December 2013 £000	30 December 2012 £000
Cost	4,471	4,364
Accumulated depreciation based on historical cost	(905)	(714)
Historical cost net book value	3,566	3,650

The group's freehold properties were professionally valued by Edward Symmons LLP, a firm of Chartered Surveyors, on the basis of their existing use value at 30 March 2010. These valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors Statement of Asset Valuation Practice and Guidance Notes. An interim valuation has been performed by Edward Symmons LLP at 29 December 2013.

Hallmark Hotels Limited

Notes forming part of the financial statements
for the period ended 29 December 2013 (*continued*)

9 Stocks

	29 December 2013 £000	30 December 2012 £000
Raw materials and consumables	23	17
Goods for resale	20	14
	<u>43</u>	<u>31</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

10 Debtors

	29 December 2013 £000	30 December 2012 £000
Trade debtors	44	71
Prepayments and accrued income	46	47
	<u>90</u>	<u>118</u>

All amounts shown under debtors fall due for payment within one year.

11 Creditors: amounts falling due within one year

	29 December 2013 £000	30 December 2012 £000
Trade creditors	121	187
Other taxation and social security	98	96
Other creditors	59	54
Amounts due to parent undertaking	5,978	6,321
Accruals and deferred income	86	68
	<u>6,342</u>	<u>6,726</u>

Hallmark Hotels Limited

Notes forming part of the financial statements
for the period ended 29 December 2013 (*continued*)

12 Share capital

	Allotted, issued and fully paid	
	29 December 2013 £000	30 December 2012 £000
208,073 Ordinary shares of £1 each	208	208

13 Reserves

	Other reserve £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 31 December 2012	18	2,662	(2,354)	326
Profit for the financial period	-	-	175	175
Transfer in respect of depreciation provision on revaluation surpluses	-	(16)	16	-
Revaluation	-	(827)	-	(827)
At 29 December 2013	18	1,819	(2,163)	(326)

14 Reconciliation of movements in shareholder's funds

	29 December 2013 £000	30 December 2012 £000
Revaluation in period	(827)	623
Profit for the financial period	175	266
Opening shareholder's funds/(deficit)	534	(355)
Closing shareholder's funds	118	534

Hallmark Hotels Limited

Notes forming part of the financial statements for the period ended 29 December 2013 (*continued*)

15 Deferred taxation asset

The company has an unprovided deferred tax asset as follows:

	29 December 2013 £000	30 December 2012 £000
Accelerated capital allowances	173	161
Unrelieved tax losses	331	465
	<u>504</u>	<u>626</u>

This asset has not been recognised because there is currently insufficient evidence that the asset would be recoverable.

In addition, at the balance sheet date, the company has not entered into a binding agreement to sell its property and therefore is not required to recognise the deferred tax liability arising as a result of the revaluations. The unprovided deferred tax is approximately £418,000 (2012 - £612,000).

16 Commitments under operating leases

As at 29 December 2013, the company had annual commitments under non-cancellable operating leases as set out below:

	29 December 2013 £000	30 December 2012 £000
Other operating leases		
<i>Operating leases which expire:</i>		
Within one year	7	9
In two to five years	1	2
Over five years	-	-
	<u>8</u>	<u>11</u>

17 Related party transactions

The company has taken the exemption conferred by Financial Reporting Standard 8, "Related party disclosures", not to disclose any transactions with members of the group headed by Hallmark Hotels Investments Limited on the grounds that 100% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

Hallmark Hotels Limited

Notes forming part of the financial statements
for the period ended 29 December 2013 (*continued*)

18 Capital commitments

	29 December 2013 £000	30 December 2012 £000
Contracted but not provided for	-	8

19 Ultimate parent party

The immediate parent company is Hallmark Hotels Holdings Limited.

The company's ultimate parent company was Hallmark Hotels Investments Limited.

The smallest and largest group to include the company is that headed by Hallmark Hotels Investments Limited.

Copies of the consolidated financial statements of Hallmark Hotels Investments Limited are available from Companies House.

20 Cashflow

As a wholly owned subsidiary, the company is taking advantage of the exemption under FRS 1 (Revised) from preparing a cash flow statement since its results are included in the published consolidated financial statements of its ultimate parent company, Hallmark Hotels Investments Limited.

21 Contingent liabilities

The company is a participant in its parent undertaking's term loan borrowings whereby these borrowings are secured by fixed and floating charges over the company's assets. The total term loan disclosed in the parent undertaking's financial statements at 29 December 2013 is £22,997,000 (30 December 2012 - £24,786,000).