

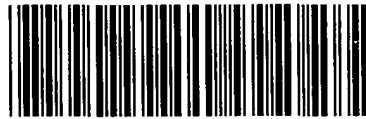
**Paragon Hotels Limited**

**Directors' report and consolidated  
financial statements**

Registered number 02971215

31 March 2015

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## **Strategic report**

### **Objectives**

To operate a profitable and successful business providing returns to shareholders.

### **Strategy**

To improve the estate of hotels, the experience of our customers and the trading performance.

### **Principal risks and uncertainties**

The main uncertainties which the business faces are the level of economic activity, guest numbers, and competition in the form of prevailing room rates. The directors believe that these factors present both challenges and opportunities for the business.

### **Performance during the year**

The directors monitor performance through the production of a detailed annual budget and the comparison of actual performance against the budget.

### **Position at the end of the year**

The group and company have a sound financial base from which to further improve the business.

### **Key performance indicators**

Additionally, the directors monitor key performance indicators to ensure they are within acceptable parameters, these include:

- Room rate and occupancy
- The ratio of key costs to income
- Hotel operating profit
- Cash generated from operating activities



**JC Kay**  
Director

Conway House  
Ackhurst Park  
CHORLEY  
Lancashire  
PR7 1NW

6 July 2015

## Directors' report

The directors present their report, together with the financial statements for the year ended 31 March 2015.

### Results and dividends

The group's profit after tax for the year is £22,920,000 (2014: *loss of £2,247,000*) and has been transferred to reserves. The directors do not recommend payment of a dividend (2014: *£nil*)

### Principal activity and review of business

The group's principal activity is the ownership and operation of hotels.

The group's turnover decreased to £17,856,000 compared to the prior year. An operating loss of £1,806,000 compares to an operating profit of £337,000 in the prior year. The decrease in turnover and operating result was as a result of the sale of two hotels during the year.

Cash inflow (before financing) in the year was £59,586,000. Net debt reduced to £5,019,000.

### Going concern

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

As set out in note 1, the directors consider that the group and company have adequate resources to continue as a going concern for the foreseeable future and therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Directors

The directors who served during the period were as follows:

CJ Hemmings  
JC Kay  
K Revitt

### Employee policies

The group's activities are geographically spread and local managers are responsible for employee relations and development on a day to day basis. This is supported by regular visits by senior executives who are available to explain and provide employees with information on matters of concern to them as employees and to enable their views to be taken into account.

It is the policy and practice of the group to give equal consideration to applications for employment from disabled persons having regard to the particular aptitudes and abilities of the applicants concerned. The services of any existing employee who becomes disabled are retained wherever practicable.

## **Directors' report** *(continued)*

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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

By order of the board



**JC Kay**  
*Secretary*

Conway House  
Ackhurst Park  
CHORLEY  
Lancashire  
PR7 1NW

6 July 2015

## **Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements**

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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently; or
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



## **KPMG LLP**

Edward VII Quay  
Navigation Way  
Preston  
PR2 2YF  
United Kingdom

### **Independent auditor's report to the members of Paragon Hotels Limited**

We have audited the financial statements of Paragon Hotels Limited for the year ended 31 March 2015 set out on pages 7 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of the financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://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 group's and the parent company's affairs as at 31 March 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

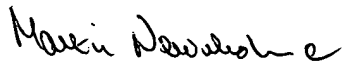
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditor's report to the members of Paragon 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 by the parent, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**Martin Newsholme (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP,**  
**Statutory Auditor**  
*Chartered Accountants*  
Preston

8 July

2015



**Consolidated profit and loss account**  
*for the year ending 31 March 2015*

	<i>Note</i>	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
<b>Turnover</b>	<i>1</i>	<b>17,856</b>	<b>28,635</b>
Cost of sales		<b>(8,964)</b>	<b>(14,291)</b>
		<hr/>	<hr/>
<b>Gross profit</b>		<b>8,892</b>	<b>14,344</b>
Administrative expenses		<b>(10,698)</b>	<b>(14,007)</b>
		<hr/>	<hr/>
<b>Operating (loss)/profit</b>		<b>(1,806)</b>	<b>337</b>
Profit on sale of fixed assets		<b>24,084</b>	<b>225</b>
Interest receivable and similar income	<i>4</i>	<b>6</b>	<b>9</b>
Interest payable and similar charges	<i>5</i>	<b>(1,140)</b>	<b>(3,481)</b>
		<hr/>	<hr/>
<b>Profit/(loss) on ordinary activities before taxation</b>	<i>2</i>	<b>21,144</b>	<b>(2,910)</b>
Taxation on profit/(loss) on ordinary activities	<i>6</i>	<b>1,776</b>	<b>663</b>
		<hr/>	<hr/>
<b>Profit/(loss) for the financial year</b>	<i>15</i>	<b>22,920</b>	<b>(2,247)</b>
		<hr/>	<hr/>

**Consolidated statement of total recognised gains and losses**  
*for the year ending 31 March 2015*

All gains and losses arising during the year have been recognised in the profit and loss account and derive from continuing operations of the group.

The notes from page 11 to 21 form part of the financial statements

**Consolidated balance sheet**  
*as at 31 March 2015*

	<i>Note</i>	<b>2015</b>	<b>2014</b>
		<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>			
Tangible assets	7	25,447	65,135
<b>Current assets</b>			
Stock	9	151	203
Debtors	10	658	1,857
Cash at bank and in hand		183	2,284
		<u>992</u>	<u>4,344</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(4,968)</u>	<u>(72,653)</u>
<b>Net current liabilities</b>		<b>(3,976)</b>	<b>(68,309)</b>
<b>Total assets less current liabilities</b>		<b>21,471</b>	<b>(3,174)</b>
<b>Creditors: amounts falling due after more than one year</b>	12	<b>(3,280)</b>	-
<b>Provisions for liabilities and charges</b>	13	-	(1,555)
<b>Net assets/(liabilities)</b>		<b>18,191</b>	<b>(4,729)</b>
<b>Capital and reserves</b>			
Called up share capital	14	2,500	2,500
Share premium account	15	5,000	5,000
Capital redemption reserve	15	10,000	10,000
Profit and loss account	15	691	(22,229)
<b>Equity shareholders' funds/(deficit)</b>	15	<b>18,191</b>	<b>(4,729)</b>

The notes from page 11 to 21 form part of the financial statements

Approved by the board of directors on 6 July 2015 and signed on its behalf by:



**JC Kay**  
*Director*

Registered number 02971215

**Company balance sheet**  
*as at 31 March 2015*

	Note	2015 £000	2014 £000
<b>Fixed assets</b>			
Tangible assets	7	-	49,689
Investments	8	-	-
		-	49,689
<b>Current assets</b>			
Stock	9	-	77
Debtors (including amounts due after one year)	10	21,131	17,559
Cash at bank and in hand		-	2,054
		21,131	19,690
<b>Creditors: amounts falling due within one year</b>	11	-	(70,302)
<b>Net current assets/(liabilities)</b>		21,131	(50,612)
<b>Total assets less current liabilities</b>		21,131	(923)
<b>Provisions for liabilities and charges</b>	13	-	(1,555)
<b>Net assets/(liabilities)</b>		21,131	(2,478)
<b>Capital and reserves</b>			
Called up share capital	14	2,500	2,500
Share premium account	15	5,000	5,000
Capital redemption reserve	15	10,000	10,000
Profit and loss account	15	3,631	(19,978)
<b>Equity shareholders' funds/(deficit)</b>	15	21,131	(2,478)

The notes from page 11 to 21 form part of the financial statements

Approved by the board of directors on 6 July 2015 and signed on its behalf by:



**JC Kay**  
Director

Registered number 02971215

**Consolidated cash flow statement**  
*for the year ended 31 March 2015*

	<i>Notes</i>	<b>2015</b> <b>£000</b>	2014 £000
Net cash (outflow)/inflow from operating activities	<i>16</i>	<b>(1,863)</b>	2,996
Returns on investments and servicing of finance	<i>16</i>	<b>(1,134)</b>	(3,472)
Taxation		<b>494</b>	309
Capital expenditure and financial investments	<i>16</i>	<b>62,089</b>	(604)
		<hr/>	<hr/>
Cash inflow/(outflow) before financing		<b>59,586</b>	(771)
Financing		<b>(60,723)</b>	-
		<hr/>	<hr/>
<b>Decrease in cash</b>		<b>(1,137)</b>	(771)
		<hr/> <hr/>	<hr/> <hr/>

**Reconciliation of net cash flow to movement in net debt**  
*for the year ended 31 March 2015*

	<i>Notes</i>	<b>2015</b> <b>£000</b>	2014 £000
Decrease in cash		<b>(1,137)</b>	(771)
Cash flow from decrease in financing	<i>16</i>	<b>60,723</b>	-
Debt issue costs		<b>(421)</b>	878
		<hr/>	<hr/>
Change in net debt		<b>59,165</b>	107
Net debt at 31 March 2014	<i>16</i>	<b>(64,184)</b>	(64,291)
		<hr/>	<hr/>
Net debt at 31 March 2015	<i>16</i>	<b>(5,019)</b>	(64,184)
		<hr/> <hr/>	<hr/> <hr/>

The notes from page 11 to 21 form part of the financial statements

## Notes to the financial statements

### 1 Accounting policies

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

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

The financial statements have been prepared based upon the companies trading cycle of a 52 week period ending 26 March 2015 (2014: 27 March 2014) within seven days of the end of the accounting reference period as permitted by the Companies Act.

The group financial statements consolidate the financial statements of Paragon Hotels Limited and all its subsidiary undertakings. Under s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. The company profit after tax for Paragon Hotels Limited was £23,609,000 (2014: loss £1,462,000).

#### *Going Concern*

The group's business activities, together with the factors likely to affect future trading are set out in the Strategic report on page 1.

In November 2014 the group entered into new bank facilities of £6,000,000. These comprised of a term loan of £3,500,000 and revolving credit facility of £1,500,000 through to November 2019 and an overdraft of £1,000,000. In the subsequent period to date, the group has operated within its bank facilities and has been compliant with the financial covenants.

The directors have no reason to believe that a material uncertainty exists that may cast doubt on the ability of the group to continue as a going concern. It is therefore considered appropriate to continue to prepare these accounts on a going concern basis.

#### *Tangible fixed assets*

Depreciation is provided to write down the assets to their estimated residual value by equal instalments over their estimated useful economic lives as follows:

Land	-	not depreciated
Freehold hotel properties	-	50 years
Fixtures, fittings and equipment	-	4 – 10 years

Depreciation is not provided, if on calculation it is found to be immaterial.

#### *Stocks*

Stocks represent mainly food and liquor stocks and are stated at the lower of cost and net realisable value.

#### *Taxation*

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Pensions*

The group makes employer contributions to defined contribution pension schemes on behalf of certain of its employees. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

#### *Turnover*

Turnover comprises the value of sales of goods and services supplied in the normal course of operation of a hotel business (excluding value added tax).

#### *Investments*

Investments in subsidiary undertakings are stated at cost less amounts written off.

#### *Leasing and hire purchase commitments*

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations 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.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

### 2 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):

	2015 £000	2014 £000
Auditors' remuneration		
Audit services	30	28
Non-audit services	42	16
Depreciation of owned assets	1,682	2,817
Profit on sale of fixed assets	(24,084)	(225)
Operating leases		
Hire of plant and machinery	44	252
Other operating leases	79	118
	<hr/>	<hr/>

### 3 Staff costs

	2015 £000	2014 £000
Wages and salaries	6,657	7,874
Social security costs	469	519
Other pension costs	83	80
	<hr/>	<hr/>
	7,209	8,473
	<hr/>	<hr/>

**Notes (continued)**

**3 Staff costs (continued)**

The average monthly number of employees during the year was made up as follows:

	2015 No.	2014 No.
Hotel staff	468	558

In addition, the group paid £134,599 (2014: £1,811,000) to certain hotel staff who were employed by a hotel management company.

The directors received no remuneration from the group in either year.

**4 Interest receivable and similar income**

	2015 £000	2014 £000
Bank interest	6	9

**5 Interest payable and similar charges**

	2015 £000	2014 £000
On bank loans and overdrafts	1,140	3,481

**6 Taxation on profit/(loss) on ordinary activities**

	2015 £000	2014 £000
<b>Taxation credit is made up as follows:</b>		
<i>Current tax</i>		
UK Corporation tax at 21% (2014: 23%)	(221)	(496)
Adjustments in respect of prior years	-	105
Total current tax	(221)	(391)
Movement in deferred tax	(1,555)	(272)
Tax credit for the year	(1,776)	(663)

## Notes (continued)

### 6 Taxation on profit/(loss) on ordinary activities (continued)

#### Factors affecting the current tax for the year

The tax charge/(credit) assessed on the profit/(loss) on ordinary activities for the year is lower (2014: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2015 £000	2014 £000
Profit/(loss) on ordinary activities before tax	21,144	(2,910)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014: 23%)	4,440	(669)
Effects of:		
Disallowed expenses and non-taxable income	265	190
Ineligible profit on disposal of fixed assets	(6,645)	-
Difference between depreciation and capital allowances	1,753	80
Short term timing differences	(11)	(8)
Group relief surrendered	221	408
Payment receivable for group relief surrendered	(221)	(497)
Other tax adjustments reliefs and transfers	(23)	-
Adjustment in respect of prior periods	-	105
Current tax credit for the year	(221)	(391)

### 7 Tangible fixed assets

Group	Freehold land and buildings £000	Fixtures, fittings and equipment £000	Total £000
<b>Cost or valuation</b>			
At 31 March 2014	60,333	35,620	95,953
Additions	2,626	610	3,236
Disposals	(38,545)	(20,823)	(59,368)
<b>At 31 March 2015</b>	<b>24,414</b>	<b>15,407</b>	<b>39,821</b>
<b>Depreciation</b>			
At 31 March 2014	3,740	27,078	30,818
Charge for the year	233	1,449	1,682
Disposals	(1,590)	(16,536)	(18,126)
<b>At 31 March 2015</b>	<b>2,383</b>	<b>11,991</b>	<b>14,374</b>
<b>Net book value</b>			
At 31 March 2015	22,031	3,416	25,447
At 31 March 2014	56,593	8,542	65,135



## Notes (continued)

### 7 Tangible fixed assets (continued)

Company	Freehold land and buildings £000	Fixtures, fittings and equipment £000	Total £000
<i>Cost or valuation</i>			
At 31 March 2014	46,028	25,809	71,837
Additions	-	45	45
Disposals	(38,166)	(20,308)	(58,474)
Transfer to group company	(7,862)	(5,546)	(13,408)
<b>At 31 March 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Depreciation</i>			
At 31 March 2014	1,654	20,494	22,148
Charge for the year	26	416	442
Disposals	(1,463)	(16,283)	(17,746)
Transfer to group company	(217)	(4,627)	(4,844)
<b>At 31 March 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Net book value</i>			
<b>At 31 March 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>
At 31 March 2014	44,374	5,315	49,689

### 8 Investments

Company	Shares in group undertaking £000
<i>Cost</i>	
As at 31 March 2014 and 2015	9,351
<i>Provisions</i>	
As at 31 March 2014 and 2015	9,351
<i>Net book value</i>	
As at 31 March 2014 and 2015	-

#### Subsidiary undertakings

All held by the company

Name of company	Proportion of voting rights holdings and shares held	Nature of business
Classic Lodges Limited	Ordinary shares 100%	Hotels
Grovefield Hotel Limited	Ordinary shares 100%	Non-trading
The Balmoral Hotel Harrogate Limited	Ordinary shares 100%	Non-trading
Classic Lodges Scotland Limited	Ordinary shares 100%	Non-trading
Classic Lodges Scotland Limited	Preference shares 100%	Non-trading

**Notes (continued)**

**9 Stocks**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Food and liquor	151	203	-	77

**10 Debtors**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade debtors	266	849	-	741
Other debtors and prepayments	295	910	-	702
Amounts owed by group undertakings	97	98	-	-
Amounts owed by subsidiary undertakings	-	-	21,131	16,116
	658	1,857	21,131	17,559

Amounts falling due after more than one year included above are:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Amounts owed by subsidiary undertakings	-	-	11,460	11,460

**11 Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank overdraft	1,786	2,750	-	2,750
Bank loan	176	64,179	-	64,179
Debt issue costs	(40)	(461)	-	(461)
Trade creditors	486	1,021	-	696
Other taxation and social security	294	923	-	533
Other creditors	1,295	2,201	-	1,084
Accruals	971	2,040	-	1,521
	4,968	72,653	-	70,302

**12 Creditors: amounts falling due after more than one year**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank loan	3,280	-	-	-

**Notes (continued)**

**12 Creditors: amounts falling due after more than one year (continued)**

**Group**

Bank loan is repayable as follows:

	2015 £000	2014 £000
Within one year	176	64,179
Between 1 – 2 years	350	-
Between 2 – 5 years	525	-
Greater than 5 years	2,405	-
	<hr/>	<hr/>
Total bank loan	3,456	64,179
	<hr/>	<hr/>

The bank loan and overdraft are secured on all of the group's properties and bear interest at a rate based on LIBOR plus a margin.

**13 Provisions for liabilities and charges**

**Group and Company**

	2015 £000	2014 £000
<i>Deferred tax</i>		
Provision at the beginning of the year	1,555	1,827
Deferred tax in profit and loss account for the year	(1,555)	(272)
	<hr/>	<hr/>
Provision at the end of the year	-	1,555
	<hr/>	<hr/>

Deferred taxation included in the balance sheet is as follows:

	2015 £000	2014 £000
<b>Group</b>		
Accelerated capital allowances	-	1,575
Other timing differences	-	(20)
	<hr/>	<hr/>
Provision for deferred tax	-	1,555
	<hr/>	<hr/>
	<hr/>	<hr/>
	2015 £000	2014 £000
<b>Company</b>		
Accelerated capital allowances	-	1,575
Other timing differences	-	(20)
	<hr/>	<hr/>
Provision for deferred tax	-	1,555
	<hr/>	<hr/>

No deferred tax asset is recognised in respect of capital losses carried forward at 31 March 2015. The amount of deferred tax not recognised on capital losses is £nil (2014: £2,620,000) in Paragon Hotels Limited and £708,350 (2014: £1,136,800) in the subsidiary undertakings. The capital losses may be offset against future capital gains of the company. These losses are not expected to crystallise in the foreseeable future.

There are unrecognised deferred tax assets in respect of trading losses of £nil (2014: £nil) in Paragon Hotels Limited and £647,300 (2014: £286,000) in the subsidiary undertakings. These losses are available for offset against future trading profits. These losses are not expected to crystallise in the foreseeable future.

## 14 Share capital

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
<i>Allotted, called up and fully paid</i>				
2,500,000 Ordinary shares of £1 each	2,500	2,500	2,500	2,500

Group	Share capital £000	Share premium £000	Capital redemption Reserve £000	Profit and loss account £000	Total £000
At 31 March 2014	2,500	5,000	10,000	(22,229)	(4,729)
Profit for the year	-	-	-	22,920	22,920
<b>At 31 March 2015</b>	<b>2,500</b>	<b>5,000</b>	<b>10,000</b>	<b>691</b>	<b>18,191</b>

Company	Share capital £000	Share premium £000	Capital redemption Reserve £000	Profit and loss account £000	Total £000
At 31 March 2014	2,500	5,000	10,000	(19,978)	(2,478)
Profit for the year	-	-	-	23,609	23,609
<b>At 31 March 2015</b>	<b>2,500</b>	<b>5,000</b>	<b>10,000</b>	<b>3,631</b>	<b>21,131</b>

## Notes (continued)

### 16 Notes to the cash flow statement

#### Reconciliation of operating profit to net cash inflow from operating activities

	2015 £000	2014 £000
Operating (loss)/profit	(1,806)	337
Depreciation and impairment of tangible fixed assets	1,682	2,817
Decrease in stocks	52	17
Decrease/(increase) in operating debtors and prepayments	886	(261)
(Decrease)/increase in operating creditors and accruals	(2,677)	86
Net cash (outflow)/inflow from operating activities	<u>(1,863)</u>	<u>2,996</u>
	2015 £000	2014 £000
<b>Returns on investments and servicing of finance</b>		
Interest received	6	9
Interest paid	(1,140)	(3,481)
Net cash outflow from returns on investments and servicing of finance	<u>(1,134)</u>	<u>(3,472)</u>
<b>Taxation</b>	<u>494</u>	<u>309</u>
	£000	£000
<b>Capital expenditure and financial investments</b>		
Proceeds of sale of tangible fixed assets	65,325	225
Purchase of tangible fixed assets	(3,236)	(829)
Net cash inflow/(outflow) for capital expenditure	<u>62,089</u>	<u>(604)</u>

	At 31 March 2014 £000	Non cash movement £000	Cash flows £000	At 31 March 2015 £000
<i>Analysis in changes in net debt</i>				
Cash at bank and in hand	2,284	-	(2,101)	183
Overdrafts	(2,750)	-	964	(1,786)
	<u>(466)</u>	<u>-</u>	<u>(1,137)</u>	<u>(1,603)</u>
Bank loans	(63,718)	(421)	60,723	(3,416)
	<u>(64,184)</u>	<u>(421)</u>	<u>59,586</u>	<u>(5,019)</u>

## Notes (continued)

### 17 Other financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	2015	2014
	£000	£000
Operating leases which expire		
- within one years	-	-
- between two and five years	-	118
- in more than five years	-	-
	<hr/>	<hr/>
	-	118
	<hr/>	<hr/>

### 18 Related party transactions

#### *Hemway Limited*

The group paid a management fee of £200,000 (2014: £230,000) to Hemway Limited for management services provided. The amount outstanding to Hemway Limited at the end of the current year was £nil (2014: £nil).

#### *Cairn Hotels Limited*

During the year the group paid rental income of £78,667 (2014: £118,000) to Cairn Hotels Limited. The amount outstanding to Cairn Hotels Limited at the end of the current year was £nil (2014: £nil).

#### *Northern Trust Group Limited*

During the year the group paid fees of £41,329 (2014: £47,299) to Northern Trust Group Limited for administration services. There were amounts of £nil (2014: £4,892) owing to Northern Trust Group Limited at the year end.

At the year end an amount of £221,000 (2014: £340,000) was due from Northern Trust Group Limited in respect of payments for corporation tax group relief surrendered for the year ended 31 March 2015.

#### *Whittle Jones Group Limited*

During the year the group paid rental income of £29,900 (2014: £29,900) to Whittle Jones Group Limited. There were no amounts owing to Whittle Jones Group Limited at the current or prior year end.

#### *Preston North End Limited*

During the year the group received income of £36,841 (2014: £68,107) from Preston North End Limited. The amount outstanding at the end of the current year from Preston North End Limited was £8,932 (2014: £15,362).

#### *Ramsey Park Hotel Limited*

During the year the company paid and recharged costs of £4,982 (2014: £5,405) to Ramsey Park Hotel Limited. The amount outstanding at the end of the current year from Ramsey Park Hotel Limited was £811 (2014: £27,000).

The family interests of Mr T J Hemmings are the ultimate controlling party of Paragon Hotels Limited and the above companies

**Notes** *(continued)*

**19      Contingent liabilities**

The company is part of a group banking arrangement with certain of its subsidiaries. Consequently, it is jointly and severally liable for the loans and overdrafts of Classic Lodges Limited.

**— 20      Ultimate parent company**

The ultimate controlling party are the family interests of Mr T J Hemmings.