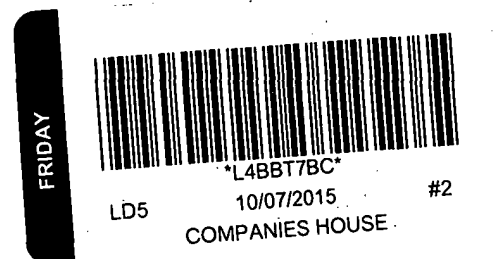


## **Summerhill Properties Limited**

Directors' report and financial statements

For the period from 1 April 2013 to  
30<sup>th</sup> September 2014

Registered number 3454201



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## Strategic report

The directors present their strategic report of Summerhill Properties Limited ('the Company') for the period ended 30 September 2014.

### Review of business

The principal activity of the Company during the year was that of owning and operating a hotel situated in Cardiff operated under the Hilton brand.

During the 18 months period ended 30 September 2014, the turnover was £12,041,000 (2013: £8,275,000) and the gross profit was £6,676,000 (2013: £4,420,000). The operating loss was £4,379,000 (2013: profit of £824,000).

The directors consider that the results for the period are satisfactory and in line with expectations.

During the period the company and its fellow subsidiary Summerhill Cardiff Limited restructured the borrowings by settling the outstanding loans to BOS and the company borrowing £6 million from Santander.

It is recognised that there are inherent risks and uncertainties in the current economic environment associated with the operation of hotels which the directors review on a regular basis. Although trading in difficult local economic and competitive circumstances the Directors are satisfied that their actions have managed to produce results in line with expectations.

The cost saving drive and aggressive marketing is continued by the management, and this, together with targeted capital expenditure, ensures that a balance is maintained between customer satisfaction and profitability.

The Company's strategy is relationship-driven activity to deliver growth and profitability by controlling the brand manager tightly to deliver and maximise returns within the trading environment and long term value.

The company has gone through a full Capex programme and expenditure in excess of £1.5 million by refurbishing all the bedroom stock to an appropriate standard. The directors believe that this will yield additional revenue and profit conversion in line with directors' expectations.

The company's parent company has indicated giving support for the next twelve months and accordingly the company is not exposed to any financial risks

In the opinion of the directors there are no other key performance indicators apart from the financial results discussed above.

### Employee involvement

The Company has continued to operate a monthly communications cycle that requires the General Managers of each hotel to meet with Departmental Managers and then meet with their supervisors and/or staff to discuss:

- (a) performance to date
- (b) problems or difficulties being experienced
- (c) future plans

and other matters those attending the meeting wish to raise.

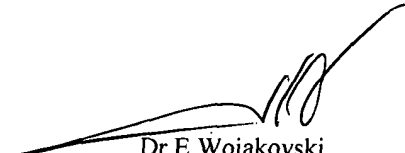
### Disabled employees

The Company gives full consideration to applicants for employment from disabled persons where the requirements of the job can be adequately fulfilled by such individuals.

Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever applicable.

**Future developments**

The directors have no future expansion plan for the company other than to continue trading and obtain growth organically.



Dr E Wojakowski  
Director

30 June 2015

## **Directors' report**

The directors present their report and the audited financial statements of Summerhill Properties Limited ('the Company') for the period ended 30 September 2014.

### **Principal activities**

The principal activity of the Company during the year was that of owning and operating a hotel situated in Cardiff operated under the Hilton brand. No change in that activity is envisaged.

### **Business review**

The company changed its year end to 30 September accordingly these accounts comprise the results for the period from 1 April 2013 to 30 September 2014.

The results of the year are set out in the profit and loss account on page 7.

The directors do not recommend the payment of a dividend (2013: £nil).

### **Going concern**

The financial statements have been prepared on a going concern basis. The basis for this is described in detail in note 1 to the financial statements.

### **Directors**

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

A Matyas

Dr E Wojakowski

N Smith

R Robertson ( Appointed 1 July 2013)

### **Directors' and officers' liability insurance**

Summerhill Properties Limited purchases and maintains liability insurance for its directors and officers.

### **Political and charitable contributions**

The Company made no political or charitable contributions during the year (2013: £nil).

### **Policy and practice on payment of creditors**

It is the Company policy whenever possible to agree terms of payment with supplier in advance to ensure that suppliers are made aware of the terms of payment and both parties abide by these terms. At the year end. The Company's average payment day was 19 days. (2013: 19 days)

### **Statement as to disclosure of information to auditor**

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

### **Auditor**

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the board

Dr E Wojakowski

Director

30 June 2015

3 Park Place  
St James'  
London  
SW1A 1LP

## **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 financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

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

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

## **Independent auditor's report to the members of Summerhill Properties Limited**

We have audited the financial statements of Summerhill Properties Limited for the period ended 30 September 2014 set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

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

As explained more fully in the Directors' Responsibilities Statement set out on page 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 (APB's) Ethical Standards for Auditors.

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](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 Company's affairs as at 30 September 2014 and of its loss 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 matters 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.

### **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



**Mark Summerfield (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

30 June 2015

## Profit and loss account

*for the period from 1 April 2013 to 30 September 2014*

	<i>Note</i>	<b>Period ended 30 September 2014 2010 £'000</b>	<b>Year ended 31 March 2013 £'000</b>
<b>Turnover</b>	<b>2</b>	<b>12,041</b>	<b>8,275</b>
Cost of sales		<b>(5,365)</b>	<b>(3,855)</b>
<b>Gross profit</b>		<b>6,676</b>	<b>4,420</b>
Depreciation		<b>(1,454)</b>	<b>(894)</b>
Administrative expenses	<b>3,5</b>	<b>(4,729)</b>	<b>(2,702)</b>
Impairment of fixed assets		<b>(4,784)</b>	<b>-</b>
Interest payable		<b>(88)</b>	<b>-</b>
<b>(Loss)/Profit on ordinary activities before taxation</b>		<b>(4,379)</b>	<b>824</b>
Tax credit on profit on ordinary activities	<b>6</b>	<b>304</b>	<b>60</b>
<b>(Loss)/Profit on ordinary activities after taxation</b>		<b>(4,075)</b>	<b>884</b>

There were no recognised gains or losses in either the current or prior period except as shown above. Consequently, a statement of total recognised gains and losses has not been prepared.

There is no difference between the profit on ordinary activities before taxation in either the current or prior period stated and the historical cost equivalents.

The notes on pages 8 to 15 form part of these financial statements.

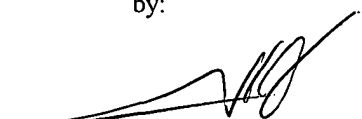


**Balance sheet**  
*at 30 September 2014*

	<i>Note</i>	<b>30 September 2014</b>		<b>31 March 2013</b>	
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Fixed assets</b>					
Intangible assets	7		13,851		17,877
<b>Current assets</b>					
Stock	8	18		27	
Debtors	9	15,420		8,495	
Cash at bank and in hand		1,326		856	
		<u>16,764</u>		<u>9,378</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(25,288)</u>		<u>(23,547)</u>	
<b>Net current liabilities</b>			<u>(8,524)</u>		<u>(14,169)</u>
<b>Total assets less current liabilities</b>			<u>5,327</u>		<u>3,708</u>
<b>Amounts falling due after more than one year</b>	11		(6,000)		=
Provisions for liabilities and charges	12		<u>(2,003)</u>		<u>(2,309)</u>
<b>Net (liabilities)/ assets</b>			<u>(2,676)</u>		<u>1,399</u>
<b>Capital and reserves</b>					
Called up share capital	13		3,500		3,500
Profit and loss account	14		<u>(6,176)</u>		<u>(2,101)</u>
<b>Shareholders' (deficit)/ funds</b>			<u>(2,676)</u>		<u>1,399</u>

The notes on pages 8 to 15 form part of these financial statements.

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

  
**Dr E O Wojakovski**  
*Director*

## Notes

*(forming part of the financial statements)*

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

### 1 Basis of preparation

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

At 30 September 2014 the Company had net current liabilities of £8,524,000 (2013: £14,169,000). This includes a current net debt of £7.0m owed to associated undertakings.

The directors have considered the letter of support provided to the Company by the intermediary parent company TH Holdings Limited indicating its intention to support the Company for at least 12 months from the date of these financial statements, and continue to make available such funds as are needed by the company and in particular not seek repayment of the amounts currently made available, including £22m owed to other group companies. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on these indicators the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of TH Holdings Limited, the Company has taken advantage of the exemption contained within FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

### 2 Accounting policies

#### **Turnover**

Turnover comprises the value of sales of goods and services supplied in the normal course of operations of a hotel business (excluding Value Added Tax).

#### **Depreciation**

No depreciation is provided on freehold land. Buildings are depreciated to residual values over a period of 50 years or estimated length of the life of the building on a straight line basis. Fixtures, fittings and equipment are depreciated on a straight line basis over the estimated useful life of between 3 and 30 years.

## Notes (continued)

### 2 Accounting policies (continued)

#### *Taxation*

The charge for taxation is based on the loss 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.

#### *Capitalisation of interest*

Interest is capitalised on major development projects and capital works in progress where appropriate.

#### *Post-retirement benefits*

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### *Operating leases*

Rentals applicable to operating leases, under which substantially all of the benefits and risks of ownership remain with the lessor, are charged to the profit and loss account on a straight line basis over the lease term.

#### *Stock*

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

### 3 (Loss) / profit on ordinary activities before taxation

	Period ended 30 September 2014	Year ended 31 March 2013
	£'000	£'000
<i>(Loss) / Profit on ordinary activities before taxation is stated after charging</i>		
Auditor's remuneration:		
Audit of these financial statements	9	9
Operating lease rentals - property	302	201
Depreciation	1,454	894
Impairment of fixed assets	4,784	-
	<hr/>	<hr/>

In 2014 and 2013 auditor's remuneration was paid by another group company.

The fees paid to the Company's auditor, KPMG LLP and its associates for the services other than the statutory audit of the Company are not disclosed in these financial statements. This is on the basis that such non-audit fees are disclosed in the accounts of the Company's immediate parent TH Holdings Limited.

**Notes** *(continued)*

**4 Remuneration of directors**

The directors for the year were paid by other connected undertakings.

**5 Staff costs and employee information**

The average number of employees during the period was:

	Period ended 30 September 2014	Year ended 31 March 2013
Operations	86	88
Management and administration	50	50
	<hr/> 136	<hr/> 138
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these employees were as follows:

	Period ended 30 September 2014	Year ended 31 March 2013
	£'000	£'000
Wages and salaries	3,349	2,371
Social security costs	260	186
Pension costs	52	37
	<hr/> 3,661	<hr/> 2,594
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 6 Taxation

#### Analysis of (credit) in period

	Period ended 30 September 2014		Year ended 31 March 2013
	£'000	£'000	£'000
<i>UK corporation tax</i>			
Current tax on income for the period			30
Adjustment in respect of prior period	2		-
	<u>2</u>		<u>30</u>
Total current tax		2	30
<i>Deferred tax</i>			
Origination of timing difference	39		(13)
Effect of decreased tax rate	(294)		(101)
Adjustment in respect of prior period	(51)		24
	<u>(306)</u>		<u>(90)</u>
Tax on profit on ordinary activities		<u>(304)</u>	<u>(60)</u>

#### Factors affecting the tax charge for current period

The current tax charge for the period is higher (2013: lower) than the standard rate of corporation tax in the UK of 22.33% (2013: 24%). The differences are explained below:

	Period ended 30 September 2014	Year ended 31 March 2013
	£'000	£'000
<i>Current tax reconciliation</i>		
(Loss)/Profit on ordinary activities before tax	(4,379)	824
Current tax at 22.33% (2013: 24%)	(978)	198
<i>Effects of:</i>		
Fixed asset differences	99	-
Expenses not deductible for tax purposes	1,073	129
Capital allowances less than depreciation	(44)	13
Group relief claimed from fellow group company free of charge	(150)	(310)
Adjustment in respect of prior period	2	-
Total current tax charge (see above)	<u>2</u>	<u>30</u>

#### Factors affecting the tax charge for future period

The rate of tax is expected to follow the standard rate of UK corporation tax in future years.

Reductions in the UK corporation tax rate to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

This will reduce the company's future current tax charge accordingly.

## Notes (continue)

### 7 Tangible assets

	Freehold land and buildings	Surface finishing's	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 April 2013	21,936	5,282	5,107	32,325
Additions	-	1,551	661	2,212
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2014	21,936	6,833	5,768	34,537
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 April 2013	5,897	4,488	4,063	14,448
Charge for the period	65	510	879	1,454
Impairment	4,784	-	-	4,784
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2014	10,746	4,998	4,942	20,686
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 30 September 2014	11,190	1,835	826	13,851
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2013	16,039	794	1,044	17,877
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the cost of freehold land and buildings are cumulative capitalised interest costs of £670,000 (2013: £670,000). No interest was capitalised during the period (2013: £nil). In addition, freehold land and buildings includes £5,075,000 of land that is not deprecation (2013: £5,075,000).

### 8 Stocks

	30 September 2014 £'000	31 March 2013 £'000
Goods for resale and consumables	18	27
	<hr/>	<hr/>

### 9 Debtors

	30 September 2014 £'000	31 March 2013 £'000
Trade debtors	344	557
Prepayments and other debtors	434	101
Amounts due from group undertakings	14,642	7,837
	<hr/>	<hr/>
	15,420	8,495
	<hr/>	<hr/>

## Notes (continued)

### 10 Creditors: amounts falling due within one year

	30 September 2014 £'000	31 March 2013 £'000
Trade creditors	549	553
Other taxes and social security	273	243
Other creditors and accruals	2,389	676
Amounts owed to group undertakings	22,045	22,045
Corporation tax	32	30
	<u>25,288</u>	<u>23,547</u>

Amounts due to group undertakings are included in amounts due within one year where there are no specified repayments terms. While amounts due to group undertakings are technically repayable on demand the directors are of the opinion that in the ordinary course of business, repayment within such a timescale would not be required.

### 11 Creditors: amounts falling due after more than one year

	30 September 2014 £'000	31 March 2013 £'000
Bank loan	6,000	-
	<u>6,000</u>	<u>-</u>

The credit facility of £7.5m, of which £6m has been drawn down in the year (2013: £nil) is not repayable until 2019. Interest is payable at 2.4% above sterling LIBOR. This facility is secured by a fixed and floating charge over the assets of the Company and a number of its fellow undertakings.

### 12 Provisions for liabilities and charges

	Deferred taxation 30 September 2014 £'000	31 March 2013 £'000
Balance at 1 April	2,309	2,399
Origination and reversal of timing differences (note 6)	39	11
Adjustments in respect of prior years	(51)	-
Effect of decreased tax rate	(294)	(101)
	<u>2,003</u>	<u>2,309</u>
Balance at 31 September	<u>2,003</u>	<u>2,309</u>

The provision at 30 September 2014 and 31 March 2013 relates primarily to timing differences arising from accelerated capital allowances. The Company has no un provided deferred tax liabilities and no unrecognised deferred tax assets (2013: £nil)

## Notes (continued)

### 13 Called up share capital

	30 September 2014 £'000	31 March 2013 £'000
<i>Allotted, called up and fully paid</i>		
3,500,002 ordinary shares of £1 each	3,500	3,500

### 14 Reconciliation of movement in shareholders' funds

	Share capital £'000	Profit and loss account £'000	Shareholders' funds £'000
At 1 April 2013	3,500	(2,101)	1,399
Loss for the year	-	(4,075)	(4,075)
At 30 September 2014	3,500	(6,176)	(2,676)

### 15 Financial commitments

The annual commitment under non-cancellable operating leases is as follows:

	Land and buildings 30 September 2014 £'000	Land and buildings 31 March 2013 £'000
Leases expiring:		
After five years	200	200



**Notes** *(continued)*

**16 Contingent liabilities**

The Company's assets are secured by a fixed and floating charge to Santander Bank in respect of a loan provided to the company (2013: provided to Summerhill Cardiff Limited, an intermediate parent undertaking). The amount outstanding on this facility at 30 September was £6,000,000 (2013: £29,000,000).

**17 Ultimate parent company and parent undertaking of larger group of which the Company is a member**

The Company is a subsidiary undertaking of Hotel Innovations (Cardiff) Limited, incorporated in England.

The largest group in which the results of the Company are consolidated is that headed by TH Holdings Limited, incorporated in England. The consolidated accounts of this group are available to the public and may be obtained from 3 Park Place, St James', London, SW1A 1LP.

The ultimate parent company is Overseas Holdings Capital Group Limited, registered in the British Virgin Islands.