

# **Summerhill Properties Limited**

Annual report and financial statements

For the year ended  
30<sup>th</sup> September 2017

Registered number 3454201



30<sup>th</sup> September 2017

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## Strategic report

The directors present their strategic report of Summerhill Properties Limited ('the Company') for the year ended 30 September 2017.

### 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 year ended 30 September 2017, the turnover was £9,946,000 (2016: £9,265,000) and the gross profit was £4,250,000 (2016: £4,702,000). The operating profit was £422,000 (2016: profit of £321,000).

The directors consider that the results for the period are satisfactory.

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 local 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 continues, 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 reviews its Capex programme regularly and continually improves the image of the hotel.

The directors believe that this will yield additional revenue and profit conversion in line with directors' expectations.

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.



A Matyas  
Director

28 June 2019

## Directors' report

The directors present their report and the audited financial statements of Summerhill Properties Limited ('the Company') for the year ended 30 September 2017.

### 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 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 (2016: £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 (Resigned 24 October 2017)

R Robertson (Resigned 9 October 2018)

### 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 (2016: £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 (2016: 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

A Matyas  
Director

3 Park Place  
St James'  
London  
SW1A 1LP

28 June 2019

## **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), 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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records 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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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**

### **Opinion**

We have audited the financial statements of Summerhill Properties Limited ("the company") for the year ended 30 September 2017 which comprise the Profit and loss account and other comprehensive income, Balance sheet, Statement of changes in equity, Cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### **Material uncertainty related to going concern**

We draw attention to Note 1 to the financial statements which indicates that the Company's ability to continue as a going concern is dependent on its external debt being settled on its behalf by an entity under common control. These events and conditions, along with the other matters explained in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.



### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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.

**Chrissy Douka (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL  
28 June 2019



## Profit and loss account and other comprehensive income

for the year ended 30 September 2017

	Note	Year ended 30 September 2017	Year ended 30 September 2016
		£'000	£'000
<b>Turnover</b>	1	9,946	9,265
Cost of sales		(5,696)	(4,563)
<b>Gross profit</b>		4,250	4,702
Depreciation		(890)	(1,097)
Administrative expenses	3	(2,677)	(2,948)
Other interest receivable and similar income		2	19
Interest payable		(263)	(355)
<b>Profit on ordinary activities before taxation</b>		422	321
Tax credit on profit on ordinary activities	5	86	542
<b>Profit on ordinary activities after taxation</b>		508	863
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		508	863

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.

All results are from continuing operations.

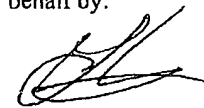
The notes on pages 11 to 20 form part of these financial statements.

**Balance sheet**  
*at 30 September 2017*

	<i>Note</i>	30 September 2017 £'000	30 September 2016 £'000
<b>Fixed assets</b>			
Tangible assets	6	12,150	12,626
<b>Current assets</b>			
Stock	7	15	18
Debtors	8	23,132	23,316
Cash at bank and in hand		1,525	657
		<u>24,672</u>	<u>23,991</u>
Creditors: amounts falling due within one year	9	(25,338)	(25,255)
<b>Net current liabilities</b>		<u>(666)</u>	<u>(1,264)</u>
<b>Total assets less current liabilities</b>		<u>11,484</u>	<u>11,362</u>
Creditors: Amounts falling due after more than one year	10	(10,435)	(10,735)
Provisions for liabilities and charges	11	(1,333)	(1,419)
<b>Net liabilities</b>		<u>(284)</u>	<u>(792)</u>
<b>Capital and reserves</b>			
Called up share capital	13	3,500	3,500
Profit and loss account		(3,784)	(4,292)
<b>Shareholders' deficit</b>		<u>(284)</u>	<u>(792)</u>

The notes on pages 11 to 20 form part of these financial statements.

These financial statements were approved by the board of directors on 28 June 2019 and were signed on its behalf by:

  
**A Matyas**  
Director

## Statement of Changes in Equity

	Share Capital £'000	Profit and loss account £'000	Total £'000
At 1 October 2015	3,500	(5,155)	(1,655)
Profit for the year	-	863	863
At 30 September 2016	<u>3,500</u>	<u>(4,292)</u>	<u>(792)</u>

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 October 2016	3,500	(4,292)	(792)
Profit for the year	-	508	508
At 30 September 2017	<u>3,500</u>	<u>(3,784)</u>	<u>(284)</u>

The notes on pages 11 to 20 form part of these financial statements.

## Cash flow statement

For the year ended 30 September 2017

<i>Note</i>	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
<b>Cash flows from operating activities</b>		
Profit for the year	<b>508</b>	863
<i>Adjustments for:</i>		
Depreciation, amortisation and impairment	<b>890</b>	1,097
Interest receivable and similar income	<b>(2)</b>	(19)
Interest payable and similar expense	<b>263</b>	355
Taxation	<b>(86)</b>	(542)
	<hr/>	<hr/>
(Increase)/decrease in trade and other debtors	<b>184</b>	(4,876)
(Increase)/decrease in stocks	<b>3</b>	9
(Decrease)/increase in trade and other creditors	<b>83</b>	37
(Decrease)/increase in provisions and employee benefits		-
Tax paid	-	53
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	<b>1,843</b>	(3,129)
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Interest received	<b>2</b>	19
Dividends received	-	-
Acquisition of tangible fixed assets	<b>(414)</b>	(533)
	<hr/>	<hr/>
<b>Net cash from investing activities</b>	<b>(412)</b>	(514)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Interest paid	<b>(263)</b>	(355)
Repayment of borrowings	<b>(300)</b>	(225)
Repayment of loans from fellow group & related undertakings	-	-
	<hr/>	<hr/>
<b>Net cash from financing activities</b>	<b>(563)</b>	(580)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	<b>868</b>	4,774
Cash and cash equivalents at 1 October	<b>657</b>	(4,117)
	<hr/>	<hr/>
<b>Cash and cash equivalents at 30 September</b>	<b>1,525</b>	657

The notes on pages 11 to 20 form part of these financial statements.

## Notes

*(forming part of the financial statements)*

Summerhill Properties Limited is a company limited by shares and incorporated and domiciled in the UK.

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 were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentational currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

#### 1.1 Measurement convention

The financial statements have been prepared on the historical cost basis, except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

#### Going concern

Notwithstanding net current liabilities of £666,000 as at 30 September 2017, the financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, to meet its liabilities as they fall due for that period.

Those forecasts rely on the company's immediate parent company, Hotel Innovations (Cardiff) Limited not seeking repayment of the amounts currently due to that company, which at 30 September 2017 amounted to £22,045,000. Hotel Innovations (Cardiff) Limited has indicated that it will not seek repayment of these amounts for the period covered by the forecasts. 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. The ability of Hotel Innovation (Cardiff) Limited to continue as a going concern is itself dependent on its own immediate parent company (Summerhill Cardiff Limited) not seeking repayment of the debt currently due to it from Hotel Innovation (Cardiff) Limited. Summerhill Cardiff Limited has indicated that it will not seek repayment of these amounts for the period covered by the forecasts. The directors of Hotel Innovation Cardiff Limited 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.

The Company's external bank loan (2017: £10.4 million) was due to be settled in March 2019 but was renegotiated by the Directors and extended to 28 June 2019. The directors have entered into negotiations with Tonstate Group Limited, an entity under common control, to settle this debt on its behalf, with an amount owing of £10.3 million as at the date of approval of these financial statements. Tonstate Group Limited has indicated that, should it settle the external bank loan debt on behalf of the Company, it will not seek repayment of the intercompany balance so created for the period covered by the forecasts. 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.

However, there can be no certainty that Tonstate Group Limited will settle the external debt on behalf of the Company and, should it not, the Company is not expected to have sufficient resources to discharge its liability should the lender demand repayment of the debt.

Based on the above indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the above circumstances give rise to a material uncertainty which may cast a significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

## Notes (Continued)

### Accounting policies

#### Basic financial instruments

##### *Trade and other debtors/creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Debtors and creditors payable or receivable within one year on initial recognition are measured at the undiscounted amount of the cash expected to be paid or received, net of impairment.

##### *Borrowings classified as basic financial instruments*

Borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### *Cash and cash equivalents*

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

#### Other financial instruments

##### *Derivative financial instruments*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

#### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Depreciation is charged to the profit and loss account on a straight line basis over the estimated useful lives of each part of an item of tangible fixed assets. Their estimated useful lives are as follows:

Freehold Buildings	50 years
Non-core Building (Integral Plant and Surface Finishes)	10 - 30 years
Plant and Machinery	3 - 20 years
Fixtures, Fittings and Equipment	3 - 10 years
Computer Equipment	3 years

#### Impairment of non-financial assets

The carrying amounts of the entity's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

## **Notes (Continued)**

### **Accounting policies (continued)**

#### ***Taxation***

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### ***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). Income from ownership and operations of hotels is recognised at the point at which the accommodation and related services are provided.

#### ***Related parties***

As the Company is a wholly owned subsidiary of TH Holdings Limited, the Company has taken advantage of the exemption under FRS 102 Section 33.1A: Related Party Disclosure and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

#### ***Employee 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 estimated selling price less costs to complete and sell.

## Notes (Continued)

### 2 Profit on ordinary activities before taxation

	Year ended 30 September 2017	Year ended 30 September 2016
	£'000	£'000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditor's remuneration:		
Audit of these financial statements	15	15
Operating lease rentals - property	201	201
Depreciation	890	1,097
	<hr/>	<hr/>

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)

### 3 Remuneration of directors

The directors of the Company were also directors of other undertakings within the Tonstate group. The directors' remuneration for the period was paid by other undertakings. The directors do not believe that is practicable to apportion this amount between services as directors of the Company and their services as directors of fellow subsidiary undertakings.

### 4 Staff costs and employee information

The average number of employees during the period was:

	Year ended 30 September 2017	Year ended 30 September 2016
Operations	122	92
Management and administration	40	40
	<u>162</u>	<u>132</u>

The aggregate payroll costs of these employees were as follows:

	Year ended 30 September 2017	Year ended 30 September 2016
	£'000	£'000
Wages and salaries	2,451	2,245
Social security costs	200	184
Pension costs	28	15
	<u>2,679</u>	<u>2,444</u>

## Notes (continued)

### 5 Taxation

#### Analysis of (credit) in period

	Year ended 30 September 2017		Year ended 30 September 2016	
	£'000	£'000	£'000	£'000
<i>UK corporation tax</i>				
Current tax on income for the period	-	-	-	-
Adjustment in respect of prior period	-	-	(53)	-
Total current tax		-		(53)
<i>Deferred tax</i>				
Origination of timing difference	(113)	-	(125)	-
Effect of decreased tax rate	-	-	(273)	-
Adjustment in respect of prior period	27	-	(91)	-
		(86)		(489)
Tax on profit on ordinary activities		(86)		(542)

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

The current tax charge for the period is lower (2016: lower) than the standard rate of corporation tax in the UK of 19.5% (2016: 20%). The differences are explained below:

	Year ended 30 September 2016 £'000	Year ended 30 September 2016 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	422	321
Current tax at 19.5% (2016: 20%)	82	64
<i>Effects of:</i>		
Fixed asset differences	7	19
Expenses not deductible for tax purposes	3	-
Adjustment to deferred tax closing rate to average rate of 19.5% (2016: 20%)	17	(250)
Group relief claimed from fellow group company	(222)	(231)
Adjustment in respect of prior period	27	(144)
Total current tax credit (see above)	(86)	(542)

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

The rate of taxation is expected to follow the standard rate of UK Corporation tax in future years. Reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. Deferred tax has been calculated at 17%.

## Notes (continued)

### 6 Tangible assets

	Freehold land and buildings	Surface finishing's	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 October 2016	21,936	6,833	6,674	35,443
Additions	-	-	414	414
At 30 September 2017	21,936	6,833	7,088	35,857
<b>Depreciation</b>				
At 1 October 2016	10,820	5,583	6,414	22,817
Charge for the period	37	415	438	890
At 30 September 2017	10,857	5,998	6,852	23,707
<b>Net book value</b>				
At 30 September 2017	11,079	835	236	12,150
At 30 September 2016	11,116	1,250	260	12,626

Included in the cost of freehold land and buildings are cumulative capitalised interest costs of £670,000 (2016: £670,000). No interest was capitalised during the period (2016: £nil). In addition, freehold land and buildings includes £5,075,000 of land that is not depreciated (2016: £5,075,000).

### 7 Stocks

	30 September 2017 £'000	30 September 2016 £'000
Goods for resale and consumables	15	18

### 8 Debtors

	30 September 2017 £'000	30 September 2016 £'000
Trade debtors	288	560
Prepayments and other debtors	226	325
Amounts due from group undertakings	22,618	22,431
	23,132	23,316

**Notes (continued)**

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

	30 September 2017 £'000	30 September 2016 £'000
Trade creditors	346	483
Other taxes and social security	461	374
Other creditors and accruals	2,486	2,353
Amounts owed to group undertakings	22,045	22,045
Corporation tax	-	-
	<u>25,338</u>	<u>25,255</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.

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

	30 September 2017 £'000	30 September 2016 £'000
Bank loan	10,435	10,735
	<u>10,435</u>	<u>10,735</u>

The credit facility of £10.96m, of which £10.43m has been drawn down in the year (2016: £10.73m) 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.

**11 Provisions for liabilities and charges**

	Deferred taxation	
	30 September 2017 £'000	30 September 2016 £'000
Balance at 1 April	1,419	1,908
Origination and reversal of timing differences	(113)	(125)
Adjustments in respect of prior years	27	(91)
Effect of decreased tax rate	-	(273)
	<u>1,333</u>	<u>1,419</u>
Balance at 31 September	1,333	1,419

The provision at 30 September 2017 and 30 September 2016 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 (2016: £nil)

## Notes (continued)

### 12 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	2017 £'000	2016 £'000
Assets measured at fair value through profit or loss	1,525	657
Assets measured at amortised cost	23,132	23,316
Liabilities measured at fair value through profit or loss	-	-
Liabilities measured at amortised cost	25,338	25,255
Loan commitments measured at cost less impairment	10,435	10,735

### 13 Called up share capital

	30 September 2017 £'000	30 September 2016 £'000
<i>Allotted, called up and fully paid</i>		
3,500,002 ordinary shares of £1 each	3,500	3,500

### 14 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings 30 September 2017 £'000	Land and buildings 30 September 2016 £'000
Less than one year	243	243
Between two and five years	1,075	1,075
More than five years	1,015	1,258
Total	2,333	2,576

**Notes** *(continued)*

**15 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. The amount outstanding on this facility at 30 September 2017 was £10,435,000 (2016: £10,735,000).

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