

Registered number: 03691485

## NEPTUNE HOTELS LIMITED

### ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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**NEPTUNE HOTELS LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	Mr J Lamb Mr A Pritchard
<b>Registered number</b>	03691485
<b>Registered office</b>	1 Towers Place Eton Street Richmond Surrey TW9 1EG
<b>Independent auditor</b>	KPMG LLP Chartered Accountants and Statutory Auditor 15 Canada Square London United Kingdom E14 5GL

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**NEPTUNE HOTELS LIMITED**

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## NEPTUNE HOTELS LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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#### Business review

The directors report an operating profit and profit before tax of £1,185,637 (2017: £888,943).

#### Principal risks and uncertainties

The company participates in the group's centralised treasury arrangements and shares banking arrangements with members of the group headed by CTS Metropark Limited. Full details of the principal risks and uncertainties for the company are disclosed within the Brexit paragraph next page.

#### Financial key performance indicators

In order to deliver the Company's business objectives, the Company needs to deliver to three key stakeholder groups:

- 1) People
- 2) Guests
- 3) Investors

The Company uses a number of measures to assess how well the Company is delivering to its stakeholders.

#### People measures

Team turnover – This measures how many people leave the company each year and is an indicator of engagement and job satisfaction. Motivated and committed staff are key to delivering good customer service. There is also a cost associated with recruiting and training staff.

Health and safety – This measures how well the Company looks after its people and its guests. It is critical to the Company to provide safe working environments and safe hotels for its guests to stay in. This is measured by twice yearly Health and Safety audits by external independent experts.

#### Guest measures

Brand standards – All of the Company's hotels are audited annually by its brand partners against set criteria to make sure they meet high operational standards and its customers' expectations.

Guest satisfaction – The Company actively seeks feedback from its guests so that it can act on their experiences to improve the services provided. Guest satisfaction is measured continually and analysed on a monthly basis.

#### Investor measures

Profit growth – The Company measures its profit growth against last year, focusing on Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), and against its budgets and reports, and analyses this every month. EBITDA amounted to £1,455,544 for the year ended 31 December 2018 (2017: £1,282,564).

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## NEPTUNE HOTELS LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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#### Impact of Brexit

The Company is exposed to the risk of adverse political or economic developments. In particular, on 23 June 2016, the UK electorate voted to discontinue its membership of the EU. Until further clarity is known regarding the terms in which the UK will exit, there is overall uncertainty on the impact for the Company. However, in terms of impact on revenue and profitability, the UK's exit has potential to impact in three primary ways:

- 1) Changes in the GBP exchange rate may result in overseas travel to the UK being more or less attractive. To date, given the weakening of GBP relative to other major worldwide currencies, this has had a positive impact.
- 2) UK domestic travel (both in terms of the corporate and leisure markets) may be impacted by overall economic growth predictions, and overall confidence.
- 3) Should it become more difficult to visit the UK if legislation were to restrict movement into the country there would be an obvious impact on overseas demand.

In terms of the Company's cost base, the largest impact is on our workforce. Our current workforce contains a diverse mix of nationalities. Whilst the wider impact of the UK's exit from the EU remains far from certain, any legislation that restricts freedom of movement of labour is likely to adversely impact both the availability and cost of labour.

The Company retains a proactive focus on costs and in the event of a down- turn this enhanced competitiveness allows us to protect our margins.

The Company constantly reviews its approach to being a compelling employer choice for UK nationals and overseas nationals alike. This includes focusing on creating a great place to work, career development opportunities, employee engagement as well as competitive compensation and benefits.

This report was approved by the board on

6<sup>th</sup> August 2019

and signed on its behalf.



**Mr J Lamb**  
Director

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## NEPTUNE HOTELS LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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

#### Principal activity

The principal activity of the company during the year was the operation of the Crowne Plaza Liverpool John Lennon Airport Hotel, under the licence agreement with Intercontinental Hotels Group.

#### Results and dividends

The profit for the year, after taxation, amounted to £1,185,637 (2017: £888,943). During the year the Company paid one interim dividend of £22,000 (2017: £Nil) per share, being £2,200,000 (2017: £Nil).

#### Directors

The directors who served during the year were:

Mr J Lamb  
Mr A Pritchard

#### Future developments

The directors and senior management team continue to seek and implement initiatives to drive increased occupancy and room rates, as well as placing strong emphasis on cost management.

#### Going concern

The directors have made an assessment in preparing these financial statements as to whether the company is a going concern, and have concluded that there are no material uncertainties that may cast doubt on the company's ability to continue as a going concern based upon the support of its ultimate holding company. See note 2.2.

#### Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

#### Auditor

Under section 487(2) of the Companies Act 2006, KPMG LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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NEPTUNE HOTELS LIMITED

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DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018

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This report was approved by the board on 6<sup>th</sup> August 2019 and signed on its behalf.



**Mr J Lamb**  
Director

1 Towers Place  
Eton Street  
Richmond  
Surrey  
TW9 1EG

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## NEPTUNE HOTELS LIMITED

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEPTUNE HOTELS LIMITED

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### Opinion

We have audited the financial statements of Neptune Hotels Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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 Britain 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, such as the recoverability of amounts owed by group undertakings 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.

### Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

We have nothing to report in these respects.

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEPTUNE HOTELS LIMITED (CONTINUED)**

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However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

### **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 5, 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.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEPTUNE HOTELS LIMITED (CONTINUED)

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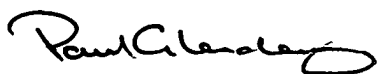
### Auditor's responsibilities

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.



**Paul Glendenning (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL

Date: 21/8/19

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**NEPTUNE HOTELS LIMITED**

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**PROFIT AND LOSS ACCOUNTS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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	Note	2018 £	2017 £
Turnover	4	5,302,845	5,015,935
Cost of sales		(2,183,095)	(2,139,874)
<b>Gross profit</b>		<b>3,119,750</b>	<b>2,876,061</b>
Administrative expenses		(1,923,784)	(1,818,415)
<b>Operating profit</b>	5	<b>1,195,966</b>	<b>1,057,646</b>
<b>Profit before tax</b>		<b>1,195,966</b>	<b>1,057,646</b>
Tax on profit	8	(10,329)	(168,703)
<b>Profit for the financial year</b>		<b>1,185,637</b>	<b>888,943</b>

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 12 to 23 form part of these financial statements.

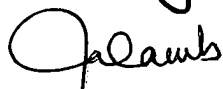
**NEPTUNE HOTELS LIMITED**  
**REGISTERED NUMBER: 03691485**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	10	7,594,574	6,954,131
		<u>7,594,574</u>	<u>6,954,131</u>
<b>Current assets</b>			
Stocks	11	27,092	27,739
Debtors: amounts falling due within one year	12	6,662,341	6,278,522
Cash at bank and in hand	13	33,200	112,297
		<u>6,722,633</u>	<u>6,418,558</u>
Current liabilities		-	-
Creditors: amounts falling due within one year	14	(12,219,504)	(10,260,623)
		<u>(5,496,871)</u>	<u>(3,842,065)</u>
<b>Net current liabilities</b>			
		<u>(5,496,871)</u>	<u>(3,842,065)</u>
<b>Total assets less current liabilities</b>		<u>2,097,703</u>	<u>3,112,066</u>
<b>Net assets</b>		<u>2,097,703</u>	<u>3,112,066</u>
<b>Capital and reserves</b>			
Called up share capital	16	100	100
Profit and loss account		2,097,603	3,111,966
		<u>2,097,703</u>	<u>3,112,066</u>
<b>Shareholders funds</b>		<u>2,097,703</u>	<u>3,112,066</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

6<sup>th</sup> August 2019



Mr J Lamb  
Director

The notes on pages 12 to 23 form part of these financial statements.

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NEPTUNE HOTELS LIMITED

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STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018

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	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2017	100	2,223,023	2,223,123
Profit for the year	-	888,943	888,943
At 1 January 2018	100	3,111,966	3,112,066
Profit for the year	-	1,185,637	1,185,637
Dividends: Equity capital	-	(2,200,000)	(2,200,000)
At 31 December 2018	100	2,097,603	2,097,703

The notes on pages 12 to 23 form part of these financial statements.

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## NEPTUNE HOTELS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1. General information

The company is a limited liability company incorporated in England and Wales. The address of the registered office is 1 Towers Place, Eton Street, Richmond, Surrey, TW9 1EG.

The principal activity of the company during the year was the operation of the Crowne Plaza Liverpool John Lennon Airport Hotel.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

*The financial statements are presented in Sterling (£), rounded to the nearest £.*

The company's parent undertaking, CTS Metropark Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of CTS Metropark Limited are available to the public and may be obtained from 1 Towers Place, Eton Street, Richmond, Surrey, TW9 1EG. In this financial statements, the company is considered to be a qualifying entity (for purpose of this FRS) and has applied the exemptions available under FRS102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation

As the consolidated financial statements of CTS Metropark Limited include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosure:

*Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.*

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## NEPTUNE HOTELS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Accounting policies (continued)

##### 2.2 Going concern

The company operates Crowne Plaza Liverpool John Lennon Airport Hotel and generated a profit for the financial year of £1,185,637. However, as a result of the way the company's debt is structured, the company has net current liabilities of £5,496,871 (2017: £3,842,065) and net assets of £2,097,703 (2017: £3,112,066). The intra-group liabilities of the company are due to fellow subsidiaries within the group headed by CTS Metropark Limited.

The company also participates in group centralised treasury arrangement with members of the group headed by CTS Metropark Limited. These arrangements are limited to the pooling of cash in intermediate holding companies of the group. As a result the company also has a receivable arising from the cash pooling arrangement.

Whilst the directors see no reason why the intra-group liabilities will be called or why the receivable will not be recovered, CTS Metropark Limited is reliant on the continued financial support of the group's ultimate parent company, China National Travel Service Group Corporation Limited, and has significant loans from, Long Lucky Limited, an intermediate parent company. After considering the financial performance and position of CTS Metropark Limited and its subsidiaries, including the loans due to Long Lucky Limited, China National Travel Service Group Corporation Limited have confirmed that they will continue to provide financial support to CTS Metropark and its subsidiaries.

Having made appropriate enquires of the Directors of China National Travel Service Group Corporation Limited, the Directors are satisfied that the Company will continue to have adequate resources to continue for at least the next 12 months and for the foreseeable future thereafter. For this reasons the Directors have continued to adopt the going concern basis.

##### 2.3 Revenue

Revenue, in respect of goods and services supplied, is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Hotel revenue, including the rental of rooms and food and beverage sales, is recognised when rooms are occupied and food and beverage is sold.

##### 2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.



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## NEPTUNE HOTELS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Accounting policies (continued)

##### 2.4 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Long-term leasehold property	- 50 years straight line
Fixtures and fittings	- Up to 10 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

##### 2.5 Hotel operating items

The hotel's initial operating items such as glass and china, and certain other loose equipment of the hotel have been capitalised and are not depreciated. The cost of replacement of these items will be charged to profit and loss in the year in which it is incurred.

##### 2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell, after making due allowance for obsolete and slow-moving stocks.

##### 2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### 2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

##### 2.9 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and related party balances.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market

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## NEPTUNE HOTELS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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## 2. Accounting policies (continued)

### 2.9 Financial instruments (continued)

rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

### 2.11 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

### 2.12 Pensions

#### Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

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## NEPTUNE HOTELS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Accounting policies (continued)

##### 2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

#### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

The following are the key judgments that management have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

##### a) Estimated impairment of tangible fixed assets

The company is required to review hotels and fixtures and fittings for impairment if events or changes in circumstance indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on value in use calculations or the fair value (market value), which are prepared on the basis of management's assumption and estimates.

##### b) Depreciation

Depreciation is provided so as to write down assets to their residual values over their estimated useful lives. The selection of these residual values and estimated lives requires the exercise of management's judgment.

##### c) Taxation

Tax benefits are not recognised unless it is probable that they will be obtained. Tax provisions are made if it is probable that a liability will arise. The company reviews each significant tax liability or benefit to assess the appropriate accounting treatment.

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NEPTUNE HOTELS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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4. Turnover

The whole of the turnover is attributable to the principal activity of the company. The turnover arises wholly in the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2018	2017
	£	£
Depreciation	259,578	224,918
Loss on disposal of fixed assets	24,450	-
Defined contribution pension cost	9,691	4,904

6. Auditor's remuneration

	2018	2017
	£	£
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	8,250	8,250
<b>Fees payable to the company's auditor and its associates in respect of:</b>		
Taxation compliance services	3,850	3,850
	<b>3,850</b>	<b>3,850</b>

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**NEPTUNE HOTELS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**7. Employees**

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	1,018,709	980,934
Social security costs	78,775	71,135
Cost of defined contribution scheme	9,691	4,904
	<u>1,107,175</u>	<u>1,056,973</u>

The directors are remunerated via Kew Green Group Limited. The directors do not consider there to be any key management personnel other than the directors.

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Hotel employees	<u>67</u>	<u>71</u>

**8. Taxation**

	2018 £	2017 £
<b>Corporation tax</b>		
Current tax on profits for the year	-	144,618
Adjustments in respect of previous periods	-	(177)
<b>Total current tax</b>	<u>-</u>	<u>144,441</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	10,329	21,797
Adjustment in respect of prior periods	-	2,465
<b>Total deferred tax</b>	<u>10,329</u>	<u>24,262</u>
<b>Taxation on profit on ordinary activities</b>	<u>10,329</u>	<u>168,703</u>

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**NEPTUNE HOTELS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**8. Taxation (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2017 - *lower than*) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>1,195,966</u>	<u>1,057,646</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	227,234	203,597
<b>Effects of:</b>		
Fixed asset differences	-	20,486
Expenses not deductible for tax purposes,	6,185	-
Adjustments to deferred tax charge in respect of prior periods	(1,216)	2,465
Adjustments to current tax charge in respect of prior periods	-	(177)
Other timing differences leading to an increase in taxation	-	(2,919)
Group relief	(224,531)	(70,069)
Transfer pricing adjustments	2,657	15,320
<b>Total tax charge for the year</b>	<u><u>10,329</u></u>	<u><u>168,703</u></u>

**Factors that may affect future tax charges**

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

**9. Dividends**

	2018 £	2017 £
Dividends	2,200,000	-
	<u><u>2,200,000</u></u>	<u><u>-</u></u>

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**NEPTUNE HOTELS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**10. Tangible fixed assets**

	Long-term leasehold property £	Fixtures and fittings £	Total £
<b>Cost</b>			
At 1 January 2018	7,249,276	1,432,184	8,681,460
Additions	-	924,471	924,471
Disposals	-	(187,655)	(187,655)
At 31 December 2018	<u>7,249,276</u>	<u>2,169,000</u>	<u>9,418,276</u>
<b>Depreciation</b>			
At 1 January 2018	1,041,569	685,760	1,727,329
Charge for the year on owned assets	106,428	153,150	259,578
Disposals	-	(163,205)	(163,205)
At 31 December 2018	<u>1,147,997</u>	<u>675,705</u>	<u>1,823,702</u>
<b>Net book value</b>			
At 31 December 2018	<u>6,101,279</u>	<u>1,493,295</u>	<u>7,594,574</u>
At 31 December 2017	<u>6,207,707</u>	<u>746,424</u>	<u>6,954,131</u>

**11. Stocks**

	2018 £	2017 £
Trading stock held at hotel	27,092	27,739
	<u>27,092</u>	<u>27,739</u>

Stock recognised in cost of sales during the year as an expense was £404,697 (2017 - £410,640).

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NEPTUNE HOTELS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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**12. Debtors**

	2018 £	2017 £
Trade debtors	215,559	155,537
Amounts owed by group undertakings	6,274,868	5,879,692
Prepayments and accrued income	75,636	136,686
Deferred taxation	96,278	106,607
	<u>6,662,341</u>	<u>6,278,522</u>

Included above is an amount of £96,278 (2017: £106,607) in relation to deferred tax which the majority of the balance is expected to be due after more than one year.

**13. Cash and cash equivalents**

	2018 £	2017 £
Cash at bank and in hand	33,200	112,297
	<u>33,200</u>	<u>112,297</u>

**14. Creditors: Amounts falling due within one year**

	2018 £	2017 £
Trade creditors	209,117	279,106
Amounts owed to group undertakings	11,539,544	9,339,544
Corporation tax	-	144,441
Other taxation and social security	93,632	70,282
Other creditors	81,763	91,029
Accruals and deferred income	295,448	336,221
	<u>12,219,504</u>	<u>10,260,623</u>



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**NEPTUNE HOTELS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**15. Deferred taxation**

	2018 £	2017 £
At beginning of year	106,607	130,869
Charged to the profit or loss	(10,329)	(24,262)
<b>At end of year</b>	<b>96,278</b>	<b>106,607</b>

The deferred tax asset is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	94,190	104,519
Short term timing differences	2,088	2,088
	<b>96,278</b>	<b>106,607</b>

**16. Share capital**

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
80 (2017 - 80) Ordinary A Shares shares of £1.00 each	80	80
20 (2017 - 20) Ordinary B Shares shares of £1.00 each	20	20
	<b>100</b>	<b>100</b>

A shares and B shares rank pari passu in all respects.

**17. Pension commitments**

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 pension cost charge represents contributions payable by the company to the fund and amounted to £9,691 (2017: £4,904). Contributions totalling £2,090 (2017: £924) were payable to the fund at the reporting date.

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## NEPTUNE HOTELS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### **18. Related party transactions**

The company has taken advantage of the exemption contained in FRS 102 not to disclose transactions with other wholly owned members of the group headed by CTS Metropark Limited.

There were no transactions with other related parties.

#### **19. Controlling party**

The company's ultimate parent undertaking is China National Travel Service Group Corporation Limited. The company's ultimate UK parent undertaking is CTS Metropark Limited.

The largest group in which the results of the Company are consolidated is that headed by China National Travel Service Group Corporation, CTS House, 78-83 Connaught Road, Central, Hong Kong. The smallest group in which they are consolidated is that headed by CTS Metropark Limited, 1 Towers Place, Eton Street, Richmond, Surrey, TW9 1EG.