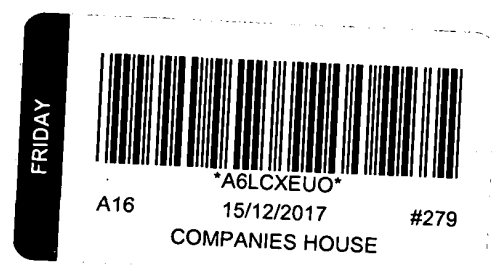


Registered number: 05921582

Pebble Hotels Limited

Annual report and financial statements

For the Year Ended 31 March 2017



Pebble Hotels Limited

Company Information

Directors	S E Kennedy P D Walters K Thomson
Registered number	05921582
Registered office	Beaulieu House Roman Road Dorking Surrey RH4 3ET
Independent auditor	Kreston Reeves LLP Statutory Auditor & Chartered Accountants Unit A Faraday Court Manor Royal Estate Crawley West Sussex RH10 9PU
Bankers	Santander Bridle Road Bootle Merseyside L30 4BG The Royal Bank of Scotland London EC2M 4RB
Solicitors	Bond Dickinson LLP 3 Temple Quay Temple Back East Bristol BS1 6DZ

Pebble Hotels Limited

Contents

	Page
Group strategic report	1
Directors' report	2 - 3
Independent auditor's report	4 - 5
Consolidated statement of comprehensive income	6
Consolidated balance sheet	7
Company balance sheet	8
Consolidated statement of changes in equity	9
Company statement of changes in equity	10
Consolidated Statement of cash flows	11
Notes to the financial statements	12 - 29

Pebble Hotels Limited

Group strategic report For the Year Ended 31 March 2017

Introduction

This was the year the two hotels stood on their own two feet having previously been part of a larger group including the consultancy-based Pebble Solutions and the Company rose to the challenge.

Both hotels continued to focus on great room sales along with first-choice function facilities and a strong destination dining business. To support this the function facilities at the Potters Heron were further upgraded along with 12 Premium Rooms and The White Swan facilities were further enhanced by the construction of a high-quality gazebo and a full repaint of the exterior of the building. Consequently, the company enters the current financial year with the properties in great shape.

The new banking relationship has settled down well and the balance sheet remains strong, which the Company considers prudent in the light of the ongoing confusion over Brexit.

The greatest asset of the Company is its people and the ongoing focus on core skills training will ensure a well-trained team. This along with an open culture and reward for performance bonus for all the team will help to ensure the delivery of great service to all of our guests.

Business review

The strategy continues to focus on growing the performance of the two hotels and continuing with existing third-party management services. A significant proportion of the Solutions business has now been hived-off into a separate company.

Part of the growth strategy for the hotels is a refurbishment programme which is being implemented over the next few years using the surplus cash that the business generates.

It has been decided to recognise a temporary impairment to the carrying value of one of the hotels which is anticipated to reverse over time as the refurbishment translates into increased earnings.

The company delivered an operating profit before the temporary impairment, of £246,320 compared with £1,006,609 last year. The reduction was entirely due to the reduced income for the Solutions segment of the business which as outlined above is now in a new company.

The profit for the year before the temporary impairment was £52,146 and shareholders' funds now stand at £2,397,272. The main use of the cash generated was to refurbish the hotels.

Principal risks and uncertainties

The company uses various financing methods including a secured bank loan, a subordinated director's loan and trade debtors and creditors that arise directly from its operations.

The main financial risk for the company is a decline in hotel performance and there is a strong performance management structure in place to minimize this risk. The company currently covers its bank interest through trading cashflow. The company actively manages its debtors to avoid any bad debt risk and has maintained its excellent relationship with suppliers, who are paid well within agreed terms.

This report was approved by the board on 30 November 2017 and signed on its behalf.



K Thomson
Director

Pebble Hotels Limited

Directors' report For the Year Ended 31 March 2017

The directors present their report and the financial statements for the year ended 31 March 2017.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The company's principal activity is the running and operation of hotels and public houses.

Results and dividends

The loss for the year, after taxation, amounted to £1,197,854 (2016 - profit £1,123,559).

The directors recommend that no final dividend be paid.

Directors

The directors who served during the year were:

S E Kennedy
P D Walters
K Thomson

Pebble Hotels Limited

Directors' report (continued) For the Year Ended 31 March 2017

Financial instruments

The group's principal financial instruments are comprised of bank balances, trade creditors and loans to the company. The main purpose of these instruments is to raise funds to finance the group's operations. The main risks arising from the financial instruments are credit risk, liquidity risk and interest rate risk.

Due to the nature of the financial instruments used by the group, there is no exposure to price risk. The group's approach to managing other risks applicable to the financial instruments concerned is set out below.

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of the group's bank balances.

In respect of loans, these are comprised of loans from financial institutions and other loans. The interest rate on loans from financial institutions is variable, and the interest on other loans is fixed. The company manages the liquidity risk by ensuring that there are sufficient funds to meet the repayments.

Trade creditors' liquidity risk is managed by ensuring that sufficient funds are available to meet amounts due.

Matters covered in the strategic report

The Strategic report includes details of the group's performance, future developments and key risks which would otherwise be reported in this Directors' report.

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 and the Group'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 and the Group's auditor is aware of that information.

Post balance sheet events

In May 2017 the outstanding bank loan in notes 19 and 20 of £2,850,000 due to National Westminster Bank Plc was refinanced with a new loan of £3,433,000 also due to National Westminster Bank Plc. The loan is repayable in installments by May 2022 and interest is charged at 2.5% over the Bank of England Base Rate per annum.

Auditor

Under section 487(2) of the Companies Act 2006, Kreston Reeves 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.

This report was approved by the board on 30 November 2017 and signed on its behalf.



K Thomson
Director

Pebble Hotels Limited

Independent auditor's report to the shareholders of Pebble Hotels Limited

We have audited the financial statements of Pebble Hotels Limited for the year ended 31 March 2017, set out on pages 6 to 29. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 March 2017 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or the Directors' report.

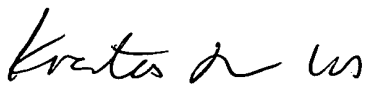
Pebble Hotels Limited

Independent auditor's report to the shareholders of Pebble Hotels Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Allan Pinner FCCA (Senior statutory auditor)

for and on behalf of
Kreston Reeves LLP

Statutory Auditor
Chartered Accountants

Gatwick

30 November 2017

Pebble Hotels Limited

**Consolidated statement of comprehensive income
For the Year Ended 31 March 2017**

	Note	2017 £	2016 £
Turnover	4	3,583,966	4,119,787
Cost of sales		(600,397)	(521,499)
Gross profit		2,983,569	3,598,288
Administrative expenses		(3,987,249)	(2,591,679)
Operating (loss)/profit	5	(1,003,680)	1,006,609
Interest receivable and similar income	9	549	-
Interest payable and expenses	10	(191,744)	155,284
(Loss)/profit before taxation		(1,194,875)	1,161,893
Tax on (loss)/profit	12	(2,979)	(38,334)
(Loss)/profit for the financial year		(1,197,854)	1,123,559

There was no other comprehensive income for 2017 (2016:£NIL).

The notes on pages 12 to 29 form part of these financial statements.

Pebble Hotels Limited
Registered number: 05921582

Consolidated balance sheet
As at 31 March 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	14	7,591,703	8,804,072
		<u>7,591,703</u>	<u>8,804,072</u>
Current assets			
Stocks	16	43,201	38,779
Debtors: amounts falling due within one year	17	141,719	130,213
Cash at bank and in hand	18	61,574	124,536
		<u>246,494</u>	<u>293,528</u>
Creditors: amounts falling due within one year	19	(1,166,539)	(1,081,067)
Net current liabilities		<u>(920,045)</u>	<u>(787,539)</u>
Total assets less current liabilities		<u>6,671,658</u>	<u>8,016,533</u>
Creditors: amounts falling due after more than one year	20	(4,200,000)	(4,350,000)
Provisions for liabilities			
Deferred taxation	23	(74,386)	(71,407)
		<u>(74,386)</u>	<u>(71,407)</u>
Net assets		<u>2,397,272</u>	<u>3,595,126</u>
Capital and reserves			
Called up share capital	24	3,300,099	3,300,099
Profit and loss account		(902,827)	295,027
		<u>2,397,272</u>	<u>3,595,126</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 November 2017.

Keith Thomson

K Thomson
Director

The notes on pages 12 to 29 form part of these financial statements.

Pebble Hotels Limited
Registered number: 05921582

Company balance sheet
As at 31 March 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	14	2,876,658	2,839,027
Investments	15	4,254,587	5,379,587
		<u>7,131,245</u>	<u>8,218,614</u>
Current assets			
Stocks	16	43,201	38,779
Debtors: amounts falling due within one year	17	603,412	716,906
Cash at bank and in hand	18	60,339	123,301
		<u>706,952</u>	<u>878,986</u>
Creditors: amounts falling due within one year	19	(1,166,539)	(1,081,067)
Net current liabilities		<u>(459,587)</u>	<u>(202,081)</u>
Total assets less current liabilities		<u>6,671,658</u>	<u>8,016,533</u>
Creditors: amounts falling due after more than one year	20	(4,200,000)	(4,350,000)
Provisions for liabilities			
Deferred taxation	23	(74,386)	(71,407)
		<u>(74,386)</u>	<u>(71,407)</u>
Net assets		<u>2,397,272</u>	<u>3,595,126</u>
Capital and reserves			
Called up share capital	24	3,300,099	3,300,099
Profit and loss account		(902,827)	295,027
		<u>2,397,272</u>	<u>3,595,126</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 November 2017.

Keith Thomson

K Thomson
Director

The notes on pages 12 to 29 form part of these financial statements.

Pebble Hotels Limited

**Consolidated statement of changes in equity
For the Year Ended 31 March 2017**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2016	3,300,099	295,027	3,595,126
Loss for the year	-	(1,197,854)	(1,197,854)
At 31 March 2017	3,300,099	(902,827)	2,397,272

**Consolidated statement of changes in equity
For the Year Ended 31 March 2016**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2015	99	(828,532)	(828,433)
Profit for the year	-	1,123,559	1,123,559
Shares issued during the year	3,300,000	-	3,300,000
At 31 March 2016	3,300,099	295,027	3,595,126

The notes on pages 12 to 29 form part of these financial statements.

Share capital

This represents the nominal value of shares that have been issued by the company.

Profit and loss account

The profit and loss account comprises all current and prior period retained profits and losses after deducting any distributions made to the company's shareholders.

Pebble Hotels Limited

Company statement of changes in equity For the Year Ended 31 March 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2016	3,300,099	295,027	3,595,126
Loss for the year	-	(1,197,854)	(1,197,854)
At 31 March 2017	<u>3,300,099</u>	<u>(902,827)</u>	<u>2,397,272</u>

Company statement of changes in equity For the Year Ended 31 March 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2015	99	(828,532)	(828,433)
Profit for the year	-	1,123,559	1,123,559
Shares issued during the year	3,300,000	-	3,300,000
At 31 March 2016	<u>3,300,099</u>	<u>295,027</u>	<u>3,595,126</u>

The notes on pages 12 to 29 form part of these financial statements.

Share capital

This represents the nominal value of shares that have been issued by the company.

Profit and loss account

The profit and loss account comprises all current and prior period retained profits and losses after deducting any distributions made to the company's shareholders.

Pebble Hotels Limited

**Consolidated statement of cash flows
For the Year Ended 31 March 2017**

	2017 £	2016 £
Cash flows from operating activities		
(Loss)/profit for the financial year	(1,197,854)	1,123,559
Adjustments for:		
Depreciation of tangible assets	142,151	132,547
Impairments of fixed assets	1,250,000	-
Interest paid	191,744	(155,284)
Interest received	(549)	-
Taxation charge	2,979	38,334
(Increase) in stocks	(4,422)	(2,512)
(Increase)/decrease in debtors	(10,408)	573
Increase in creditors	250,565	67,574
Corporation tax (paid)	(166,192)	(51)
Net cash generated from operating activities	458,014	1,204,740
Cash flows from investing activities		
Purchase of tangible fixed assets	(179,780)	(133,767)
Interest received	549	-
Net cash from investing activities	(179,231)	(133,767)
Cash flows from financing activities		
New secured loans	-	3,000,000
Repayment of loans	(150,000)	(4,883,044)
Other new loans	-	4,500,000
Repayment of other loans	-	(3,781,000)
Interest paid	(191,744)	155,284
Net cash used in financing activities	(341,744)	(1,008,760)
Net (decrease)/increase in cash and cash equivalents	(62,961)	62,213
Cash and cash equivalents at beginning of year	124,535	62,322
Cash and cash equivalents at the end of year	61,574	124,535
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	61,574	124,535
	61,574	124,535

**Notes to the financial statements
For the Year Ended 31 March 2017**

1. Accounting policies

1.1 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 preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:

1.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

1.3 Financial Reporting Standard 102 reduced disclosure exemptions

The company has taken advantage of the following disclosure exemption in preparing its individual financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirement to present a statement of cash flows for the company

**Notes to the financial statements
For the Year Ended 31 March 2017**

1. Accounting policies (continued)

1.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods comprises the provision of hotel accommodation, food, drink and room hire which is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer, usually this is at the point of service or in the case of hotel accommodation when occupancy has occurred;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide pub operational and restructuring advice services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably and;
- the costs incurred and the costs to complete the contract can be measured reliably.

1.5 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.

No depreciation is provided on freehold properties as it is the group's policy to maintain these assets so that they keep their previously assessed standard of performance. As the useful economic lives of these assets are of such length and the residual values are such that they are not materially different from the carrying amount, any depreciation would not be material. The value is reviewed annually and permanent diminution in value is provided for.

**Notes to the financial statements
For the Year Ended 31 March 2017**

1. Accounting policies (continued)

1.5 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.

Depreciation is provided on the following bases:

Fixtures and fittings	- 15% straight line
Computer equipment	- 3 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 Consolidated statement of comprehensive income.

1.6 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.9 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.

**Notes to the financial statements
For the Year Ended 31 March 2017**

1. Accounting policies (continued)

1.10 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.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

1.11 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities such as trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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 payables or receivables, 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, such as 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 case of an out-right short-term loan not at market 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 Consolidated 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, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet 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.

1.12 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.

**Notes to the financial statements
For the Year Ended 31 March 2017**

1. Accounting policies (continued)

1.13 Finance costs

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.14 Operating leases: the Group as lessee

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

1.15 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

1.16 Interest income

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

1.17 Borrowing costs

All borrowing costs are recognised in the Consolidated statement of comprehensive income in the year in which they are incurred.

1.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated statement of comprehensive income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

Pebble Hotels Limited

Notes to the financial statements For the Year Ended 31 March 2017

1. Accounting policies (continued)

1.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated 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 balance sheet date in the countries where the Company and the Group operate and generate income.

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

2. Statutory information

Pebble Hotels Limited, is a limited liability company incorporated in England, company number 05921582. The principal activities of the group are the running and operation of hotels and public houses, the running of pubs for third parties and providing operational and restructuring advice. The address of the registered office is Beaulieu House, Roman Road, Dorking, Surrey, RH4 3ET. The address of the principal place of business is The Potters Heron, Ampfield, Romsey, Hampshire, SO51 9ZF.

**Notes to the financial statements
For the Year Ended 31 March 2017**

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

The preparation of the financial statements requires the directors to make judgments, estimates and assumptions that can affect the amounts reported for assets and liabilities, and the results for the year.

The nature of estimation is such though that actual outcomes could differ significantly from those estimates.

The group has freehold property with a carrying value of £7,109,813 at the reporting date (see note 14). These assets are stated at cost with no depreciation being charged. This is because the company's policy is to maintain these assets so that they keep their previously assessed standard of performance, it is estimated that the useful economic lives of these assets are of such length and the residual values are such that they are not materially different from the carrying amount, therefore any depreciation would not be material. At subsequent reporting dates the directors use judgement and consider whether there are any factors that indicate a permanent change or diminution in value of the properties.

The group has recognised other tangible fixed assets with a carrying value of £481,890 at the reporting date (see note 14). These assets are stated at their cost less provision for depreciation and impairment. The group determines at acquisition reliable estimates for the useful life of the asset, its residual value and decommissioning costs. These estimates are based upon such factors as the expected use of the acquired asset and market conditions. At subsequent reporting dates the directors consider whether there are any factors such as technological advancements or changes in market conditions that indicate a need to reconsider the estimates used.

4. Turnover

An analysis of turnover by class of business is as follows:

	2017 £	2016 £
Liquor sales	694,946	633,345
Food sales	1,259,981	1,263,290
Accommodation income	1,267,471	1,244,602
Pebble Solutions income	220,016	852,110
Other income	141,552	126,440
	<u>3,583,966</u>	<u>4,119,787</u>

All turnover arose within the United Kingdom.

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	142,150	132,547
Impairment of tangible fixed assets	1,250,000	-
Operating lease payments		
- operating lease expense	<u>-</u>	<u>2,848</u>

Pebble Hotels Limited

**Notes to the financial statements
For the Year Ended 31 March 2017**

6. Auditor's remuneration

	2017 £	2016 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	<u>13,110</u>	<u>12,875</u>

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2017 £	2016 £
Wages and salaries	1,295,911	1,255,409
Social security costs	76,919	78,656
Cost of defined contribution scheme	5,569	5,404
	<u>1,378,399</u>	<u>1,339,469</u>

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

	2017 No.	2016 No.
Hotel Staff	80	79
Management Staff	3	6
	<u>83</u>	<u>85</u>

8. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	100,000	125,745
	<u>100,000</u>	<u>125,745</u>

9. Interest receivable

	2017 £	2016 £
Bank interest receivable	549	-
	<u>549</u>	<u>-</u>

Pebble Hotels Limited

**Notes to the financial statements
For the Year Ended 31 March 2017**

10. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	85,018	(267,447)
Other loan interest payable	106,726	111,726
Other interest payable	-	437
	<u>191,744</u>	<u>(155,284)</u>

11. Exceptional items

Included within 2016 interest payable is refunded bank loan interest, amounting to £383,044.

12. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	-	226,883
Adjustments in respect of previous periods	-	(194,653)
Total current tax	<u>-</u>	<u>32,230</u>
Deferred tax		
Origination and reversal of timing differences	2,979	6,104
Total deferred tax	<u>2,979</u>	<u>6,104</u>
Taxation on profit on ordinary activities	<u>2,979</u>	<u>38,334</u>

Pebble Hotels Limited

**Notes to the financial statements
For the Year Ended 31 March 2017**

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 20% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>(1,194,875)</u>	<u>1,161,893</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	<u>(238,975)</u>	<u>232,379</u>
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	219	450
Depreciation for the year in excess of capital allowances	243,247	-
Adjustments to tax charge in respect of prior periods	-	(194,653)
Other differences leading to an increase / (decrease) in the tax charge	<u>(1,512)</u>	<u>158</u>
Total tax charge for the year	<u><u>2,979</u></u>	<u><u>38,334</u></u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

13. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The profit after tax of the parent Company for the year was £52,146 (2016: £1,123,559).

Pebble Hotels Limited

**Notes to the financial statements
For the Year Ended 31 March 2017**

14. Tangible fixed assets

Group

	Freehold property £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 April 2016	8,355,357	1,250,937	222,516	9,828,810
Additions	4,456	171,442	3,882	179,780
At 31 March 2017	<u>8,359,813</u>	<u>1,422,379</u>	<u>226,398</u>	<u>10,008,590</u>
Depreciation				
At 1 April 2016	-	821,731	203,007	1,024,738
Charge for the year on owned assets	-	130,985	11,164	142,149
Impairment charge	1,250,000	-	-	1,250,000
At 31 March 2017	<u>1,250,000</u>	<u>952,716</u>	<u>214,171</u>	<u>2,416,887</u>
Net book value				
At 31 March 2017	<u>7,109,813</u>	<u>469,663</u>	<u>12,227</u>	<u>7,591,703</u>
At 31 March 2016	<u>8,355,357</u>	<u>429,206</u>	<u>19,509</u>	<u>8,804,072</u>

Included within freehold property are assets with a net book value of £2,394,768 that are pledged as security for liabilities.

Pebble Hotels Limited

Notes to the financial statements For the Year Ended 31 March 2017

14. Tangible fixed assets (continued)

Company

	Freehold property £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 April 2016	2,390,312	1,250,937	222,516	3,863,765
Additions	4,456	171,442	3,882	179,780
At 31 March 2017	<u>2,394,768</u>	<u>1,422,379</u>	<u>226,398</u>	<u>4,043,545</u>
Depreciation				
At 1 April 2016	-	821,731	203,007	1,024,738
Charge for the year on owned assets	-	130,985	11,164	142,149
At 31 March 2017	<u>-</u>	<u>952,716</u>	<u>214,171</u>	<u>1,166,887</u>
Net book value				
At 31 March 2017	<u>2,394,768</u>	<u>469,663</u>	<u>12,227</u>	<u>2,876,658</u>
At 31 March 2016	<u>2,390,312</u>	<u>429,206</u>	<u>19,509</u>	<u>2,839,027</u>

Included within freehold property are assets with a net book value of £2,394,768 that are pledged as security for liabilities.

15. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company and are included in the consolidated accounts:

Name	Class of shares	Holding	Principal activity
Pebble Trading Limited	Ordinary	100 %	Dormant company
Washington Hotels (No. 15) Unit Trust	Units	90 %	Property holding unit trust

Pebble Trading Limited is incorporated in the United Kingdom.

Washington Hotels (No. 15) Unit Trust is incorporated in Jersey. Pebble Hotels Limited has a 90% holding in the Washington Hotels (No. 15) Unit Trust. The remaining 10% holding in the Washington Hotels (No. 15) Unit Trust is held by the subsidiary Pebble Trading Limited.

Pebble Hotels Limited

**Notes to the financial statements
For the Year Ended 31 March 2017**

15. Fixed asset investments (continued)

The aggregate of the share capital and reserves as at 31 March 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £
Pebble Trading Limited	2
Washington Hotels (No. 15) Unit Trust	4,001,235
	<u>4,001,237</u>

The profit or loss for the year for both subsidiary undertakings was £NIL (2016 £NIL).

Company

	Investments in subsidiary companies £	Investment in JPUT £	Total £
Cost or valuation			
At 1 April 2016	2	5,379,585	5,379,587
At 31 March 2017	<u>2</u>	<u>5,379,585</u>	<u>5,379,587</u>
Impairment			
Charge for the period	-	1,125,000	1,125,000
At 31 March 2017	<u>-</u>	<u>1,125,000</u>	<u>1,125,000</u>
Net book value			
At 31 March 2017	<u>2</u>	<u>4,254,585</u>	<u>4,254,587</u>
At 31 March 2016	<u>2</u>	<u>5,379,585</u>	<u>5,379,587</u>

Pebble Hotels Limited

**Notes to the financial statements
For the Year Ended 31 March 2017**

16. Stocks

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Finished goods and goods for resale	43,201	38,779	43,201	38,779
	43,201	38,779	43,201	38,779

Stock recognised in cost of sales during the year as an expense was £580,397 (2016 - £561,077).

17. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	44,729	42,473	44,729	42,473
Amounts owed by group undertakings	-	-	461,693	586,693
Other debtors	52,813	44,989	52,813	44,989
Prepayments and accrued income	44,177	42,751	44,177	42,751
	141,719	130,213	603,412	716,906

18. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	61,574	124,535	60,339	123,300
	61,574	124,535	60,339	123,300

Pebble Hotels Limited

Notes to the financial statements For the Year Ended 31 March 2017

19. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank loans	150,000	150,000	150,000	150,000
Payments received on account	103,124	145,766	103,124	145,766
Trade creditors	327,476	191,294	327,476	191,294
Corporation tax	-	165,093	-	165,093
Other taxation and social security	116,062	63,419	116,062	63,419
Other creditors	201,531	1,843	201,531	1,843
Accruals and deferred income	268,346	363,652	268,346	363,652
	1,166,539	1,081,067	1,166,539	1,081,067

Secured loans

The bank loan shown in notes 19 and 20 is with National Westminster Bank Plc and is secured by two legal charges dated 14 January 2016 and 18 January 2016. The first legal charge is a fixed charge over the freehold property known as The White Swan Hotel, Chichester Road, Arundel, West Sussex. The second legal charge is a fixed charge over all land, plant and machinery, uncalled capital, and shares in subsidiary undertakings that are held by the company. The second legal charge also contains a floating charge over all other assets and property held by the Company both present and future. Both legal charges are subject to negative pledges. Interest on the loan has been agreed at 2.5% over the Bank of England Base Rate per annum. The loan is repayable in installments by January 2021.

20. Creditors: Amounts falling due after more than one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank loans	2,700,000	2,850,000	2,700,000	2,850,000
Other loans	1,500,000	1,500,000	1,500,000	1,500,000
	4,200,000	4,350,000	4,200,000	4,350,000

See note 19 for information regarding the security held for the loans.

Pebble Hotels Limited

Notes to the financial statements For the Year Ended 31 March 2017

21. Loans

Analysis of the maturity of loans is given below:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Amounts falling due within one year				
Bank loans	150,000	150,000	150,000	150,000
Amounts falling due 1-2 years				
Bank loans	150,000	150,000	150,000	150,000
Amounts falling due 2-5 years				
Bank loans	2,550,000	2,700,000	2,550,000	2,700,000
Amounts falling due after more than 5 years				
Other loans	1,500,000	1,500,000	1,500,000	1,500,000
	<u>4,350,000</u>	<u>4,500,000</u>	<u>4,350,000</u>	<u>4,500,000</u>

22. Financial instruments

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	146,019	211,997	731,476	797,455
	<u>146,019</u>	<u>211,997</u>	<u>731,476</u>	<u>797,455</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(5,103,198)	(5,067,415)	(5,103,198)	(5,067,415)
	<u>(5,103,198)</u>	<u>(5,067,415)</u>	<u>(5,103,198)</u>	<u>(5,067,415)</u>

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors as detailed in note 17 and cash at bank and in hand as detailed in note 18.

Financial liabilities measured at amortised cost comprise bank loans and other loans as detailed in notes 19 and 20 and trade creditors, payments received on account, corporation tax and social security taxes and other creditors as detailed in note 19.

Pebble Hotels Limited

Notes to the financial statements For the Year Ended 31 March 2017

23. Deferred taxation

Group

	2017 £	2016 £
At beginning of year	(71,407)	(65,303)
Charged to profit or loss	(2,979)	(6,104)
At end of year	(74,386)	(71,407)

The provision for deferred taxation is made up as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Accelerated capital allowances	(74,386)	(71,407)	(74,386)	(71,407)

24. Share capital

	2017 £	2016 £
Shares classified as equity		
Allotted, called up and fully paid		
99 Ordinary shares of £1 each	99	99
3,300,000 Preferred Ordinary shares of £1 each	3,300,000	3,300,000
	3,300,099	3,300,099

Ordinary shares have a right to 0.01% of the first £3,300,000 in aggregate of any profits distributed and 99.99% thereafter. On winding up or other return of capital ordinary shares have a right to 99.99% of amounts over £3,300,000 when aggregated with dividends.

Preferred ordinary shares have a right to 99.99% of the first £3,300,000 in aggregate of any profits distributed and 0.01% thereafter. On winding up or other return of capital preferred ordinary shares have a right to receive surplus assets first, up to an aggregate amount (with dividends) of £3,300,000 and thereafter 0.01%.

25. 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 £5,569 (2016: £5,404). No contributions were payable to the fund at the balance sheet date (2016: £705).

Pebble Hotels Limited

Notes to the financial statements For the Year Ended 31 March 2017

26. Related party transactions

The company charged £130,000 (2016: £824,583) in management fees to GRS Pub Investments Limited, a company in which S E Kennedy and K Thomson are directors. At the balance sheet date the company was owed £24,000 (2016: £nil) by GRS Pub Investments Limited.

The company charged £24,000 (2016: £48,000) in management fees to Duck and Rice Limited, a company in which S E Kennedy and P D Walters are directors. At the balance sheet date the company was owed £12,000 (2016: £18,400) by Duck and Rice Limited.

The company was charged £100,000 (2016: £25,000) in directors fees by Pebble Solutions Limited, a company in which S E Kennedy and K Thomson are directors. The company was also advanced £200,000 by Pebble Solutions during the year (2016: £nil). At the balance sheet date the company owed £250,000 (2016: £25,000) to Pebble Solutions Limited.

The company paid interest of £106,726 (2016: £106,726) in the year on an unsecured loan from PYW Investments Limited, a company in which P D Walters is a director. The term of the loan is a maximum of 15 years and interest is charged at 7% per annum. The outstanding balance at the balance sheet date was £1,500,000 (2016: £1,500,000).

Key management personnel

The persons having authority and responsibility for planning, directing and controlling the activities of the company are the directors. During the year the compensation of key management personnel totalled £100,000 (2016: £136,136).

27. Controlling party

The company is controlled by S E Kennedy, P D Walters and K Thomson by virtue of their share ownership.