

TH Holdings Limited

Directors' report and consolidated
financial statements

Registered number 05995053

For the year ended
30 September 2015

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Strategic Report

The directors present their strategic report of TH Holdings Limited and its subsidiary undertakings ('the Group') for the year ended 30 September 2015. The comparative period is the 18 month period from 1 April 2013 to 30 September 2014.

Review of business

The principal activity of the Group during the year was that of owning hotels situated in London, Birmingham and Cardiff operated under the Hilton brand.

Objectives

The Group's long term objective is to continue to maximize performance of the portfolio of current hotels. The Group has already gained a reputation as a leading professional hotel owner and the relationship with Hilton allows us to maximise the overall profitability at each of the hotels.

In pursuing this objective the group intends to maintain sound financial management and continue to build on relationships with all stakeholders.

Key business strategies

In pursuit of its objectives the Group has a number of key business strategies which have been successfully implemented over recent years.

We aim to secure increased trading and profitability through:

- Continuous investments of capital expenditure in the hotels
- Maintain and expand relationships with lenders
- Focus on the key relationships within Hilton to ensure 'best in class' performance
- Investment in management to provide exceptional service levels

The Group has continued to grow in what were very difficult market conditions. The scale of the three hotels has allowed the Group to maximise economies of scale with suppliers which improves Gross Margin levels.

Strategy is constantly reviewed by the Board in the light of the Group's performance and changing market conditions to ensure it remains appropriate to achieve the Group's objectives.

Risks and uncertainties

The key risk areas are:

- Changes in key market segments
- Ongoing instability in the UK political situation and economic uncertainty.
- Increase in UK interest rates
- Further hotels in the pipeline

The Group seeks to manage as far as possible the key risks that it faces.

Customer pricing is under constant and dynamic review with management. Excellent customer service and investment of capital expenditure, as well as strong client relationships are used to mitigate this risk. The Group's customer base has expanded significantly in recent years.

Having considered the above risks and uncertainties, the Directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Key performance indicators

The Group uses a number of financial measures to monitor progress against strategies and corporate objectives. These are summarised in the table below:

	12 mths to Sep-15	12 mths to Sep-14 (pro rated)	YOY (pro rated)	YOY (prorated) % change
Total Gross Revenue	110,401,000	107,219,000	3,182,000	3.0%
EBITDA	35,300,000	40,489,000*	(5,189,000)	(12.8)%
Loss Before Tax	4,739,000	26,438,000		

The 2014 EBITDA includes exceptional gain/income of £16,000,000.

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

In addition to financial measures, the Board also monitors the Group's operations with the objective of ensuring that health and safety is at the core of all working practices. In measuring the success of this, the Board reviews the level of reported incidents and monitors the training being undertaken by all relevant employees.

Future prospects

The Board is confident that the group's strategy will continue to deliver results and meet expectations of our various stakeholders in the years to come.

Despite the continuing challenging conditions in the UK, turnover of the Group increased by 3.0% (pro-rated) on the previous year. EBITDA was £35,300,000 (2014: £40,489,000 (pro-rated) and including exceptional income/gain of £16,000,000).

Based on the Group's forecasts, the financing agreements in place and the support from the immediate parent company is considered to provide access to sufficient working capital for the Group to trade on an orderly basis for the foreseeable future

Employees

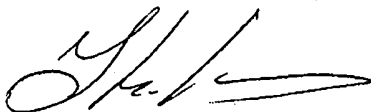
The Group employs a number of disabled people and will continue to do so wherever possible, through recruitment, by retention of persons who become disabled during service and by appropriate training, career development and promotion. The Group seeks to ensure that all employees, job applicants and prospective job applicants, are afforded equality of job opportunity in all areas of employment.

The Group's Health & Safety Policy fully recognises the Group's responsibility for the health and safety of employees and members of the community in which they work.

The Group places considerable value on the involvement of its employees and has continued its practice of keeping them informed of matters affecting them as employees.

Environmental policy

The Group is committed to adopting a responsible approach to environmental matters.



A Matyas

Director

14 July 2016

Directors' Report

The directors present their report and audited financial statements of TH Holdings Limited ('the Company') and subsidiaries ('the Group') for the year ended 30 September 2015.

Principal activity

The principal activity of TH Holdings Limited and its subsidiary undertakings ("the Group") is that of owning hotels situated in London, Birmingham and Cardiff. All hotels operate under the brand name of Hilton. The profit and loss account is set out on page 6.

Business review

The comparatives comprise the results for the period from 1 April 2014 to 30 September 2015

The directors do not recommend the payment of a dividend. (2014:£nil)

Going concern

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

Financial instruments

Details of financial instruments can be found in note 16.

Directors

The directors who held office during the period and up until the date of this report were as follows:

Overseas Capital Group Limited
A Matyas
Dr.E Wojakowski
N Smith
R Robertson

Directors' and officers' liability insurance

TH Holdings Limited purchases and maintains on behalf of the Company, liability insurance for its directors and officers.

Political and charitable contributions

The Group made no political or charitable contributions during the period (2014:£nil).

Policy and practice on payment of creditors

It is the Company policy whenever possible to agree terms of payment with supplier in advance to ensure that suppliers are made aware of the terms of payment and both parties abide by these terms. At the year end, the Company's average payment days was 28 days. (2014: 28 days)

Statement as to disclosure of information to auditors

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

Auditors

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

By order of the board



A Matyas
Director

14 July 2016

3 Park Place
St James's
London
SW1A 1LP

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

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

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

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

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

Independent auditor's report to the members of TH Holdings Limited

We have audited the financial statements of TH Holdings Limited for the year ended 30 September 2015 set out on pages 8 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 30th September 2015 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

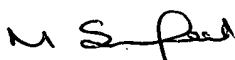
Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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



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

20 July 2016

Consolidated Profit and loss account
for the year ended 30 September 2015

	<i>Note</i>	Year ended 30 September 2015 £'000	Period from 1 April 2014 to 30 September 2015 £'000
Turnover	<i>1</i>	110,401	160,829
Cost of sales		(57,135)	(83,233)
Gross profit		53,266	77,596
Administrative expenses before depreciation and amortisation		(19,458)	(27,873)
Impairment of investment and fixed assets		-	(4,784)
Other income		1,492	16,355
Depreciation	<i>3,10</i>	(9,286)	(13,602)
Amortisation	<i>3,9</i>	(2,174)	(3,261)
Total administrative expenses		(29,426)	(33,165)
Operating profit		23,840	44,431
Loss on sale of fixed assets – continuing operations	<i>20</i>	-	(3,676)
Interest receivable	<i>6</i>	248	195
Interest payable	<i>7</i>	(28,827)	(80,607)
Loss on ordinary activities before taxation	<i>3</i>	(4,739)	(39,657)
Tax credit / (charge) on loss on ordinary activities	<i>8</i>	(36)	2,717
Loss on ordinary activities after taxation		(4,775)	(36,940)
Minority interests	<i>20</i>	272	15,828
Loss for the financial year		(4,503)	(21,112)

The results shown above are derived wholly from continuing operations.

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

The notes on pages 13 to 27 form an integral part of these financial statements.

Consolidated Balance Sheet
at 30 September 2015

	<i>Note</i>	30 September 2015 £000	30 September 2014 £000
Fixed assets			
Intangible assets – Goodwill	9	24,376	26,550
Tangible assets	10	410,918	415,773
		<u>435,294</u>	<u>442,323</u>
Current assets			
Stocks	12	164	155
Debtors	13	6,664	7,658
Cash at bank and in hand		38,791	18,168
		<u>45,619</u>	<u>25,981</u>
Creditors: amounts falling due within one year	14	<u>(24,986)</u>	<u>(25,673)</u>
Net current assets		<u>20,633</u>	<u>308</u>
Total assets less current liabilities		<u>455,927</u>	<u>442,631</u>
Creditors: amounts falling due after more than one year	15	(518,053)	(499,964)
Provisions for liabilities	17	(19,284)	(19,302)
Net liabilities		<u>(81,410)</u>	<u>(76,635)</u>
Capital and reserves			
Called up share capital	18	-	-
Profit and loss account	19	(68,986)	(64,483)
		<u>(68,986)</u>	<u>(64,483)</u>
Minority interests	20	(12,424)	(12,152)
Equity		<u>(81,410)</u>	<u>(76,635)</u>

The notes on pages 13 to 28 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 14 July 2016 and were signed on its behalf by:



A Matyas
Director

Company Balance Sheet
at 30 September 2015

	Note	30 September 2015		30 September 2014	
		£000	£000	£000	£000
Fixed assets					
Investments	11		16,706		16,706
Current assets					
Debtors	13	29,757		29,653	
Cash at bank and in hand		84		15	
		<u>29,841</u>		<u>29,668</u>	
Creditors: amounts falling due within one year	14	(2,014)		(11,332)	
Net current assets			<u>27,827</u>		<u>18,336</u>
Total assets less current liabilities			<u>44,533</u>		<u>35,042</u>
Creditors: amounts falling due after more than one year	15		(40,088)		(29,528)
Net assets			<u>4,445</u>		<u>5,514</u>
Capital and reserves					
Called up share capital	18		-		-
Profit and loss account	19		4,445		5,514
Shareholders' funds			<u>4,445</u>		<u>5,514</u>

The notes on pages 13 to 28 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 14 July 2016 and were signed on its behalf by:



A Matyas
Director

Consolidated Cash Flow Statement
for the year ended 30 September 2015

	<i>Note</i>	Year ended 30 September 2015 £000	Period ended 30 September 2014 £000
Net cash inflow from operating activities	22	33,530	69,992
Returns on investments and servicing of finance			
Interest received		248	195
Interest paid		(28,827)	(80,607)
Total returns on investments and servicing of finance		(28,579)	(80,412)
Capital expenditure and financial investment			
Goodwill adjustment		-	-
Payments to acquire tangible fixed assets		(4,431)	(10,899)
Total capital expenditure and financial investment		(4,431)	(10,896)
Net cash inflow/(outflow) before financing		520	(21,319)
Financing			
New secured bank loans		-	420,783
Loan movements		7,208	-
Loan repayments		-	(422,899)
Increase of loans from fellow group & minority undertakings		12,895	13,428
Total financing		20,103	11,312
Net cash inflow	23	20,623	(10,007)
Increase / (Decrease) in cash in the year	23	20,623	(10,007)
Cash at hand and at bank at the start of the year		18,168	28,175
Cash at hand and at bank at the end of the year		38,791	18,168

Reconciliations of Movements in Shareholders' Funds/(Deficit)
for the year ended 30 September 2015

	Group Year ended 30 September 2015 £000	Company Year ended 30 September 2015 £000	Group Period ended 30 September 2014 £000	Company Period ended 30 September 2014 £000
(Loss) /Profit for the financial year	(4,503)	(1,069)	(21,112)	5,186
Net increase / (reduction in) to shareholders' funds	(4,503)	(1,069)	(21,112)	5,186
Opening shareholders' (deficit) / funds	(64,483)	5,514	(43,371)	328
Closing shareholders'(deficit) / funds	(68,986)	4,445	(64,483)	5,514

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules. The hotels were last revalued as part of the acquisitions in 2007 as described in note 10 and are not to be subject to revaluation in future periods.

The Group has incurred a net loss of £4,775,000 for the financial year ended 30 September 2015 and as at that date has net current assets of £20,633,000.

In assessing the risks to the Group's financial stability posed by the deterioration of the market for hotel services, the directors are mindful that the Group's assets are secured by a fixed and floating charges to Aareal Bank in respect of loans of £300,000,000 and £100,000,000 provided to the group and to Venn Partners and Santander in respect of loans of £20,000,000 and £10,500,000 respectively provided to the Group. These loans are available so long as specific financial covenants are complied with in relation to the trading of the company's subsidiaries. The directors have reviewed forecasts for the components of the financial covenants, taking account of the actual experience in the second half of 2015 and forecasts for 2016 and 2017. They also have access to third party information about the performance of the hotel industry. With the benefit of that information and taking account of action the directors have taken and can take to mitigate the effect on performance and covenants from the downturn that has taken place, the directors have concluded that it is unlikely that any financial covenant will be breached in the foreseeable future.

Management has also prepared forecasts for the period to 30 December 2017 which indicates that the Group has sufficient cash reserves to meet its day to day working capital requirements for the foreseeable future.

The directors are therefore confident that it is appropriate to prepare the accounts on the stated basis of going concern.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 September 2015. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The result for the period of TH Holdings Limited is included in note 3.

In the Company's own balance sheet, investments in subsidiaries undertakings are included at cost.

The Company has taken advantage of the exemption contained within FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries.

Notes (continued)

1 Accounting policies (continued)

Goodwill and negative goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life, not to exceed 20 years.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	over 50 years or the estimated length of the life of the building
Leasehold land and buildings	- life of lease
Fixtures, fittings and equipment	- on straight line basis at the rate between 7.5% and 33.3%

No depreciation is provided on freehold land.

Impairment reviews are carried out where there is an indication of impairment in accordance with FRS 11.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

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

Stocks

Stocks consist of raw materials and consumables and are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation

Deferred taxation is recognised as an asset or liability, at appropriate rates, in respect of transactions and events recognised in the financial statements of the current and previous periods which give the entity a right to pay less, or an obligation to pay more taxation in future periods. Deferred tax assets are only recognised to the extent that it is more likely than not there will be suitable taxable profits from which they can be recovered.

No provision is made for any taxation on capital gains that could arise from the future disposal of any fixed assets shown in the financial statements at valuation, except to the extent gains or losses expected to arise on the sale of such assets have been recognised in the profit and loss account.

No provision is made for capital gains which have been rolled over into replacement assets except to the extent that at the balance sheet date there is a commitment to dispose of the replacement assets.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes *(continued)*

1 **Accounting policies** *(continued)*

Classification of financial instruments issued by the Group

In accordance with FRS 25, financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Turnover

Turnover comprises the value of sales of goods and services supplied in the normal course of operations of a hotel business (excluding Value Added Tax). All the Group's hotels are situated in the United Kingdom.

2 **Segmental information**

The principal activity of the Group is that of operating hotels in the United Kingdom and therefore there are no other segments to be reported upon.

Notes (continued)

3 Loss on ordinary activities before taxation

This is stated after charging:

	Year ended 30 September 2015 £'000	Period ended 30 September 2014 £'000
Depreciation and other amounts written off tangible fixed assets	9,286	13,602
Management charges payable to a connected company	400	635
Amortisation of goodwill	-	3,261
Bank loan waived	-	15,999
Impairment of intangible fixed assets	-	-
Impairment of tangible fixed assets	-	4,784
Operating lease rentals – property	1,117	1,676
– equipment	230	347
	<hr/>	<hr/>

Services provided by the Group's auditor

During the year, the Group obtained the following services from the Group's auditor:

	Year ended 30 September 2015 £000	Period ended 30 September 2014 £000
Fees payable to the Company's audit for the audit of the Company's annual accounts	12	19
Fees payable to the Company's auditor and its associates for other services:		
Audit of financial statements of subsidiaries pursuant to legislation	122	212
Tax compliance services	16	59
Other services relating to taxation	-	49
All other services	28	-
	<hr/>	<hr/>
	178	304
	<hr/>	<hr/>

Of the Group loss after tax of £4,775,000 (2014: 36,940,000) for the year, a loss of £1,069,206 (2014: profit of £5,186,000) has been recorded in the financial statements of the Company.

4 Remuneration of directors

The directors of the Company are also directors of other undertakings within the Tonstate Group. The directors' remuneration for the period was paid by other connected undertakings.

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Year ended 30 September 2015	Period ended 30 September 2014
Operations	1,122	1,116
Management and administration	244	245
	<u>1,366</u>	<u>1,361</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 30 September 2015 £000	Period ended 30 September 2014 £000
Wages and salaries	19,252	25,214
Social security costs	1,562	2,028
Pension costs	279	277
	<u>21,093</u>	<u>27,519</u>

6 Interest receivable

	Year ended 30 September 2015 £000	Period ended 30 September 2014 £000
Receivable from third party – bank	248	195
	<u>248</u>	<u>195</u>

7 Interest payable

	Year ended 30 September 2015 £000	Period ended 30 September 2014 £000
On bank loans and overdrafts	26,418	37,391
On all other loans	2,409	4,815
Swap termination cost	-	38,401
	<u>28,827</u>	<u>80,607</u>

Notes (continued)

8 Taxation

Analysis of charge in year

	Year ended 30 September 2015		18 months ended 30 September 2014	
	£'000	£'000	£'000	£'000
<i>UK corporation tax</i>				
Current tax on income for the year	356		904	
Adjustment in respect of prior period	(302)		77	
Total current tax		54		981
<i>Deferred tax</i>				
Origination and reversal of timing differences	6		(557)	
Effect of tax rate change	-		(2,978)	
Adjustment in respect of prior period	(24)		(163)	
		(18)		(3,698)
Tax (credit) / charge on ordinary activities		36		(2,717)

Factors affecting the tax charge for the current year

The current tax charge for the period is different from the standard rate of corporation tax in the UK of 20.5% (2014: 22.33%). The differences are explained below.

	Year ended 30 September 2015 £000	18 months ended 30 September 2014 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(4,739)	(39,657)
Current tax at 20.5% (2014: 22.33%)	(971)	(8,844)
<i>Effects of:</i>		
Expenses not deductible for tax purposes (primarily depreciation and amortisation)	1,574	3,390
Non-taxable income	-	(3,573)
Fixed asset differences	-	1,904
Capital allowances for period in excess of depreciation	(16)	622
Group losses not paid for	-	(11)
Other short term timing differences	10	31
Utilisation of brought forward losses	(241)	-
Unrelieved tax losses arising in the period	-	7,385
Adjustments in respect of prior periods	(302)	77
Total current tax charge (see above)	54	981

Notes (continued)

8 Taxation (continued)

Factors affecting the future tax charges

The rate of taxation is expected to follow the standard rate of UK Corporation tax in future years. Reduction in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was announced in the budget on 16 March 2016. It has not yet been possible to quantify the full anticipated effect of the announced rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liability accordingly.

9 Intangible fixed assets

Group	Goodwill	Goodwill
	Year ended 30 September 2015 £000	Period ended 30 September 2014 £000
<i>Cost</i>		
At 1 October 2014	47,142	47,142
Adjustment	-	-
	<hr/>	<hr/>
As 30 September 2015	47,142	47,142
	<hr/>	<hr/>
<i>Amortisation</i>		
At 1 October 2014	20,592	17,331
Charged for the period	2,174	3,261
Impairment charge	-	-
	<hr/>	<hr/>
At 30 September 2015	22,766	20,592
	<hr/>	<hr/>
<i>Net book value</i>		
At 30 September 2015	24,376	26,550
	<hr/>	<hr/>
As 30 September 2014	26,550	29,811
	<hr/>	<hr/>

Goodwill is in respect of the acquisitions and is being amortised over a period of 20 years, reflecting the directors' opinion of its useful economic life, subject to reviews for impairment.

The Company has no intangible fixed assets.

Notes (continued)

10 Tangible fixed assets

Group	Freehold land and properties £000	Long leasehold properties £000	Fixtures, fittings, and equipment £000	Soft furnishings £000	Total £000
<i>Cost or valuation</i>					
As at 1 October 2014	329,322	99,090	58,141	3,701	490,254
Additions in period	-	-	4,431	-	4,431
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2015	329,322	99,090	62,572	3,701	494,685
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At the beginning of the period	32,911	10,318	27,551	3,701	74,481
Charge for period	1,978	1,659	5,649	-	9,286
Impairment charge	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2015	34,889	11,977	33,200	3,701	83,767
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 30 September 2015	294,433	87,113	29,372	-	410,918
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2014	296,411	88,772	30,590	-	415,773
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The hotels were revalued as part of the acquisitions in 2007 to fair value and are not to be subject to revaluation in future periods.

The Company owns no tangible fixed assets.

Notes (continued)

11 Fixed asset investments

	Shares in group undertaking £'000
Company	
Cost and net book value at 1 October 2014	16,706
Additions during the year	-
	<hr/>
Cost and net book value at 30 September 2015	16,706
	<hr/>

The following group undertakings are included in the Group results:

	Country of Incorporation	Principal Activity	Ordinary Shares held
TPD Investments Limited	England	Holding company	87%
Mint Property Investments Limited*	England	Holding company	87%
Annie Property Investments Limited*	England	Holding company	87%
Tonstate Metropole Hotels Limited*	England	Holding company	87%
Summerhill Cardiff Limited	England	Holding company	100%
London & Birmingham Hotels Limited*	England	Holding company	87%
Metropole Hotels (Holdings) Limited*	England	Hotels operator	87%
Hotel Innovations (Cardiff) Limited*	England	Holding company	100%
Summerhill Properties Limited*	England	Hotels operator	100%
Birmingham Metropole Hotels Limited*	England	Dormant company	87%

* Indirect subsidiary undertakings of TH Holdings Limited.

12 Stocks

	Group 30 September 2015 £000	Group 31 March 2014 £000
Raw materials and consumables	164	155
	<hr/>	<hr/>

Notes (continued)

13 Debtors

	Group 30 September 2015 £000	Company 30 September 2015 £000	Group 30 September 2014 £000	Company 30 September 2014 £000
Trade debtors	4,170	-	3,534	-
Other debtors and prepayments	2,494	-	2,110	22
Amount due from connected company	-	-	2,014	-
Amount due from group undertakings	-	29,757	-	29,631
	<u>6,664</u>	<u>29,757</u>	<u>7,658</u>	<u>29,653</u>

14 Creditors: amounts falling due within one year

	Group 30 September 2015 £000	Company 30 September 2015 £000	Group 30 September 2014 £000	Company 30 September 2014 £000
Amounts owed to Subsidiary undertakings	-	-	-	9,514
Trade creditors	6,243	-	7,741	-
Taxation and social security	1,272	-	1,869	-
Other creditors and accruals	16,413	1,099	15,066	903
Corporation tax	1,058	915	997	915
	<u>24,986</u>	<u>2,014</u>	<u>25,673</u>	<u>11,332</u>

15 Creditors: amounts falling due after more than one year

	Group 30 September 2015 £000	Company 30 September 2015 £000	Group 30 September 2014 £000	Company 30 September 2014 £000
Bank loans	427,991	-	420,783	-
Amounts owed to Tonstate Group Limited	46,723	40,088	37,283	29,528
Other loans from minority shareholders	43,339	-	41,898	-
	<u>518,053</u>	<u>40,088</u>	<u>499,964</u>	<u>29,528</u>

Notes (continued)

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

	Group 30 September 2015 £000	Group 30 September 2014 £000
Within one year	-	-
In the second to fifth years	518,053	499,964
Over five years	-	-
	<hr/> 518,053 <hr/>	<hr/> 499,964 <hr/>

The Group has entered into loan agreements with financial institutions in respect of the following loans:

- £300m term facility, repayable in April 2019 with interest payable at 2.85% above sterling LIBOR
- £100m Mezzanine term facility, repayable in April 2019, annual interest payable at 9.5%
- £20m term facility, repayable in April 2020, with interest payable at 11% above sterling LIBOR
- Credit facility of £10.6m, repayable in April 2019, within interest payable at 2.4% above sterling LIBOR

These facilities are secured by a fixed and floating charge over the assets of the Company and a number of its fellow group undertakings.

The amounts owed to fellow group undertaking Tonstate Group Limited were advanced on the basis that they are repayable on demand, but have been treated as repayable in more than one year on the basis that the Company to whom the amount is owed has provided written confirmation that the Group will not be required to repay these balances within twelve months of the date of approval of these financial statements.

Other loans have been provided to the Group by various parties. Interest is payable at 6% per annum. Interest is being paid at 2% on £15,000,000 due to Tonstate Group Limited.

Notes (continued)

16 Derivatives and Other Financial Instruments

The principal objective of the Group's treasury policy is the management and control of risks to earnings and net assets that arise in the Group's business. It is a fundamental principle that the Group does not speculate in the currency markets nor enter into artificial treasury transactions that may enhance earnings at the expense of net assets.

The Group has entered into derivative contracts to protect specific interest rates as described below.

Short-term debtors and creditors that meet the definition of a financial asset or liability under FRS 13 *Derivatives and other financial investments* have been excluded from the disclosures as permitted by the Standard.

Financial liabilities

The group's financial liabilities comprise only the sterling bank loan, as disclosed in note 15.

These financial liabilities fall due in more than one year.

Hedging

The Company has a number of interest rate hedges to mitigate its exposure on the variable interest rates of the bank loan. All expire in 2019. The amounts hedged, and details of the hedges are as follows:

Loan	Amount hedged	Type of hedge	Fixed rate	Value at 30 September 2015
£300m term loan	£142,500,000	Swap	2.64%	(7,616,144)
£300m term loan	£142,500,000	Cap	2.00%	1,088,951
£6m credit facility	£6,000,000	Cap	2.00%	30,175

Fair value of financial assets, financial liabilities and hedging

There are no material differences between the carrying values and the fair values of the financial assets and financial liabilities disclosed above. The fair value of derivatives is not recognised on the balance sheet in accordance with UK GAAP.

Notes (continued)

17 Provisions for liabilities

	Group Deferred taxation £000
Group	
At 1 October 2014	19,302
Origination and reversal of timing difference in the period	6
Adjustments in respect of prior period	(24)
Effect of tax rate change	-
	<hr/>
At 30 September 2015	19,284
	<hr/>

The provision at 30 September 2015 and 30 September 2014 relates primarily to timing differences arising from accelerated capital allowances. The Company has no unprovided deferred tax liabilities and no unrecognised deferred tax assets (2014: £nil)

18 Called up share capital

	Company 30 September 2015 £	Company 30 September 2014 £
<i>Allotted, called up and fully paid</i>		
2 Ordinary shares of £1 each	2	2
	<hr/>	<hr/>
Shares classified in shareholders' funds	2	2
	<hr/>	<hr/>

Notes (continued)

19 Reconciliation of movement in shareholders' funds/(deficit)

Group	Profit and loss account £000
At 1 October 2014	(64,483)
Loss for the year	(4,503)
	<hr/>
At 30 September 2015	(68,986)
	<hr/>

Company	Profit and loss account £000
At 1 October 2014	5,514
Loss for the year	(1,069)
	<hr/>
At 30 September 2015	4,445
	<hr/>

20 Minority interests

	Group 2015 £000	Group 2014 £000
At beginning of year	12,152	-
Share of loss for year	272	15,828
Disposal of subsidiary undertakings	-	(3,676)
	<hr/>	<hr/>
At 30 September 2015	12,424	12,152
	<hr/>	<hr/>

21 Commitments

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

	30 September 2015		30 September 2014	
Group	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	-	-	-
Over five years	1,116	-	1,116	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,116	-	1,116	-
	<hr/>	<hr/>	<hr/>	<hr/>

The Company has no annual commitments

Notes (continued)

22 Reconciliation of operating profit to operating cash flows

	Year ended 30 September 2015 £000	Period ended 30 September 2014 £000
Operating profit	23,840	44,431
Depreciation charge	9,286	13,602
Amortisation of goodwill	2,174	3,261
Impairment of tangible and intangible fixed assets	-	4,784
(Increase) / Decrease in stocks	(9)	11
(Increase)/Decrease in debtors	(1,020)	(404)
(Decrease)/Increase in creditors	(741)	4,671
Corporation tax paid	-	(364)
Net cash inflow from operating activities	33,530	69,992

23 Analysis of net debt

	At 1 October 2014 £000	Cash flow £000	Other non cash changes £000	At 30 September 2015 £000
Cash in hand and at bank	18,168	20,623	-	38,791
Debt due after one year	(499,964)	(18,089)	-	(518,053)
Debt due within one year	-	-	-	-
Total	(481,796)	2,534	-	(479,262)

24 Related party disclosures

During the period ended 30 September 2015 a management fee was charged to the Group by Tonstate Group Limited (the directors of which are the same as this company) amounting to £400,000 (2014: £635,000). At 30 September 2015 the Group owed £46,723,000 (2014: £37,283,000) to Tonstate Group Limited. The company owed £40,088,000 to Tonstate Group Limited (2014 £29,528,000). The company owed £nil (2014 £8,449,000) to Tonstate Metropole Hotels Limited. The company was owed £29,658,000 by TPD Investments Limited (2014: £29,631,000) and £99,093 by Metropole Hotels (Holdings) Limited (2014: owed £1,065,000 to Metropole Hotels (Holdings) Limited).

The Group owed £43,339,000 (2014: £41,898,000) to Property and Building Corporation Limited and Destiny Investment (1993) Limited, which hold a combined 12.74% interest in TPD Investments Limited, a subsidiary of TH Holdings Limited. Interest is being paid at 6% on the Equity Holders' Loans. Interest is being paid at 2% on £15,000,000 due to Tonstate Group Limited.

25 Ultimate parent company

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