Registered number: 06398416

DRAGONGLASS MILTON KEYNES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

DRAGONGLASS MILTON KEYNES LIMITED

COMPANY INFORMATION

Directors	Lloyd Becker (appointed 8 April 2019) James Levy (appointed 8 April 2019) Jonathan Levy (appointed 8 April 2019) Mark Rubin (appointed 8 April 2019) Nicholas Rubin (appointed 8 April 2019) Sarah Broughton (appointed 22 February 2018, resigned 8 April 2019) Nicholas Chadwick (appointed 22 February 2018, resigned 8 April 2019) Thomas Tolley (appointed 22 February 2018, resigned 8 April 2019) Sean Dell'Orto (resigned 22 February 2018) Thomas Morey (resigned 22 February 2018)
Registered number	06398416
Registered office	Greenhill House 90/93 Cowcross Street London EC1M 6BF
Independent auditors	Goldwyns Limited Statutory Auditors and Chartered Accountants Rutland House 90-92 Baxter Avenue Southend on Sea Essex SS2 6HZ

DRAGONGLASS MILTON KEYNES LIMITED

CONTENTS

Introduction

The directors present their strategic report for the year ended 31 December 2018.

Until 15 March 2018 the principal activity of the Dragonglass Milton Keynes Limited (the "company") was that of a property investment company. From this date, the principal activity was that of a hotel operator.

Business review

The trading performance of the company was strong with gross profit for the year of £1,365,290 and turnover of £3,472,706. The company made a profit before taxation of £246,714, however in the year to 31 December 2018 the company had a fair value expense in relation to the revaluation of investment property of £195,670, which when excluded from the trading results would have resulted in a profit before taxation of £442,384. The trading results from the previous year are not comparable due to the change in principal activity during the year.

From 1 January 2018 to 15 March 2018, the company acted as a property investment company, leasing the Milton Keynes Hilton Hotel to a fellow group company, Dragonglass UK Lessee Holdings Limited. On 26 February 2018, following a restructuring of the group, the immediate parent became Dragonglass Bidco Limited.

On 15 March 2018, the company purchased at book value the trade and business associated with the operation of the Milton Keynes Hilton Hotel from a fellow group company, Dragonglass UK Lessee Holdings Limited. As a result of this re-organisation, from 15 March 2018 the principal activity of Dragonglass Milton Keynes Limited was to own and operate the Milton Keynes Hilton Hotel.

Key performance indicators

In order to deliver the company's business objectives, the company needs to deliver to three key stakeholder groups:
1) People
2) Guests
3) Investors
The company uses a number of measures to assess how well the company is delivering to its stakeholders.

People measures
Team turnover - This measures how many people leave the company each year and is an indicator of engagement and job satisfaction. Motivated and committed staff are key to delivering good customer service. There is also a cost associated with recruiting and training staff. Health and Safety - This measures how well the company looks after its people and its guests. It is critical to the company to provide safe working environments and safe hotels for its guests to stay in. This is measured by Health and Safety audits by external independent experts.

Guest measures
Brand Standards - The company is audited by its brand partners against set criteria to make sure they meet high operational standards and its customers expectations. Guest satisfaction - The company actively seeks feedback from its guests so that it can act on their experiences to improve the services provided. Guest satisfaction is measured continually and analysed on a monthly basis.

Investor relations
Profit Growth - The company measures its profit growth against last year focusing on Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA), and against its budgets and reports, and analyses this every month.

Principal risks and uncertainties

Competitive risk
This company operates in the UK. Risks that arise come from competitors opening new hotels or improving an existing hotel. The company monitors its competitors' performance and participates in regular benchmarking to understand the company's position compared to its competitors.

Economic risk
Whilst uncertainty remains over Brexit discussions and the implications to market volatility and performance, Management are of the opinion the risk to hotel trading will be low given its location, customer base and target market.

Interest rate risk
The company is financed by senior debt totalling £5,655,000 with both a fixed and variable interest rate applicable. The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet its foreseeable needs with the use of a strong treasury function.

Management does not believe the company is any more exposed to financial statement risk factors than others in the industry and has a system of internal controls and procedures that attempt to mitigate such risk.

This report was approved by the board on 24 February 2020 and signed on its behalf

Nicholas Rubin
Director

The directors present their annual report on the affairs of Dragonglass Milton Keynes Limited together with the audited financial statements for the year ended 31 December 2018.

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 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 of the profit or loss of the company for that period.

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

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements and accounting 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;
- 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 to enable them to ensure that the financial statements comply with the Companies Act 2006.

Results and dividends

The loss for the year, after taxation, amounted to £328,818 (2017 - profit £5,822,823).

The directors do not recommend the distribution of a dividend for the year ended 31 December 2018 (2017 £450,000).

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements (unless otherwise noted) were:

Sarah Broughton (appointed 22 February 2018, resigned 8 April 2019)
Nicholas Chadwick (appointed 22 February 2018, resigned 8 April 2019)
Thomas Tolley (appointed 22 February 2018, resigned 8 April 2019)
Sean Dell'Orto (resigned 22 February 2018)
Thomas Morey (resigned 22 February 2018)
Lloyd Becker (appointed 8 April 2019)
James Levy (appointed 8 April 2019)
Jonathan Levy (appointed 8 April 2019)
Mark Rubin (appointed 8 April 2019)
Nicholas Rubin (appointed 8 April 2019)

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Foreign currency risk

The company is exposed to minimal foreign currency risk, as the company's activities are in the UK.

Credit risk

The company's principal financial assets are bank balances and cash, intercompany receivables and trade receivables.

The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for bad debts. An allowance for impairment is made when there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the asset.

The company has no significant concentration of credit risk.

Liquidity risk

The company is only exposed to minor liquidity risk, as it is fully funded by the parent company and ultimate controlling party.

Future developments

The company will continue to operate as a hotel operator in the future with a view to optimising returns.

Disclosure of information to auditors

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

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

Post balance sheet events

Dragonglass Bidco Limited, the immediate parent company, disposed of its interest in 100% of the share capital of the company on 8 April 2019.

As a result of the sale of the company the bank borrowings, within creditors more than one year, were repaid in full.

Auditors

The auditors, Goldwyns Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

DRAGONGLASS MILTON KEYNES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

This report was approved by the board on 24 February 2020 and signed on its behalf.

Nicholas Rubin
Director

Disclaimer of opinion
We have audited the financial statements of Dragonglass Milton Keynes Limited (the 'company') for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

We do not express an opinion on the accompanying financial statements of the company. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion
After the company debranded from its previous franchise in March 2019 (and further compounded by a change of ownership and managing agents shortly thereafter) access to the hotel's historic income and booking ledgers was lost. Although attempts to recover or rebuild the missing information remain ongoing, we have not been able to obtain sufficient audit evidence for reported hotel turnover of £3,349,966 nor for the associated customer balances (£71,711 in debtors and £37,723 in liabilities). Furthermore, the significance of the missing data may continue to have an adverse effect on the company's ability to trade normally and defend itself against historic claims and enquiries.

In addition to the above, we have concerns on the recognition of:

- £141,485 of trade creditors from which the (limited) evidence we have obtained suggests up to 2-weeks of trading costs may have been omitted (which may or may not have been provided for elsewhere);
- £53,682 of accruals which appear to have been made in error;
- £15,753 of bank receipts and £24,480 of unreconciled cash in transit, which do not appear to have been correctly dealt with in the company's accounts; and
- £9,325,870 of intragroup debtors and £625,572 of intragroup liabilities which may have been affected by the above income recognition issues and other, intragroup, matters.

However, our audit work has been severely restricted by our late appointment as auditors; the change in management and their agents; and the significance of the missing income ledgers. We cannot be sure that all other potential errors will therefore have been identified.

Other information
The directors are responsible for the other information. The other information comprises the information included in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Auditors' Report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Opinion on other matters prescribed by the Companies Act 2006
Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion whether (based on the work undertaken in the course of the audit):

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
Notwithstanding our disclaimer of opinion on the financial statements, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit performed subject to the pervasive limitations described above, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Arising from the limitations of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purposes of our audit;
- adequate accounting records have not been kept; and
- the financial statements are not in agreement with the accounting records and returns.

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

- returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made.

Responsibilities of directors
As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditors' report.

However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Use of our report
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 Auditors' 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.

S Blundell

S Blundell ACA (Senior Statutory Auditor)

for and on behalf of
Goldwyns Limited

Statutory Auditors and Chartered Accountants

Rutland House, 90-92 Baxter Avenue
Southend on Sea, Essex, SS2 6HZ
Date: 27 February 2020

DRAGONGLASS MILTON KEYNES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Turnover	4	3,472,706	964,779
Cost of sales		(2,107,416)	-
Gross profit		1,365,290	964,779
Administrative expenses		(795,362)	(202,798)
Fair value movements		(181,926)	4,891,059
Operating profit	5	388,002	5,653,040
Interest receivable and similar income	9	7,800	66,105
Interest payable and expenses	10	(149,088)	(15,892)
Profit before tax		246,714	5,703,253
Tax on profit		(575,532)	119,570
(Loss)/profit for the financial year		(328,818)	5,822,823

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

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

The notes on pages 11 to 26 form part of these financial statements.

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Note		2018 £		2017 (as restated) £
Fixed assets					
Intangible assets	13		3,180		11,005
Tangible assets	14		8,517,680		794,331
Investment property	15		-		8,105,670
			8,520,860		8,911,006
Current assets					
Stocks	16	14,865		-	
Debtors: amounts falling due within one year	17	9,927,903		3,672,306	
Cash at bank and in hand	18	644,124		50,023	
		10,586,892		3,722,329	
Creditors: amounts falling due within one year	19	(1,065,146)		(430,211)	
Net current assets			9,521,746		3,292,118
Total assets less current liabilities			18,042,606		12,203,124
Creditors: amounts falling due after more than one year	20		(5,592,220)		-
Provisions for liabilities					
Deferred tax	22	(732,371)		(156,291)	
			(732,371)		(156,291)
Net assets			11,718,015		12,046,833
Capital and reserves					
Called up share capital	23		100		100
Revaluation reserve	24		-		4,891,059
Profit and loss account	24		11,717,915		7,155,674
			11,718,015		12,046,833

The financial statements on pages 7 to 26 were authorised for issue by the board of directors on 24/02/2020 and were signed on its behalf.

Nicholas Rubin
Director

Please refer to note 25 for further details of the prior year adjustment.

The notes on pages 11 to 26 form part of these financial statements.

DRAGONGLASS MILTON KEYNES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2018	100	4,891,059	7,155,674	12,046,833
Comprehensive income for the year				
Loss for the year	-	-	(328,818)	(328,818)
Total comprehensive income for the year	-	-	(328,818)	(328,818)
Transfer to/from profit and loss account	-	(4,891,059)	4,891,059	-
Total transactions with owners	-	(4,891,059)	4,891,059	-
At 31 December 2018	100	-	11,717,915	11,718,015

The notes on pages 11 to 26 form part of these financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Share premium account (as restated)	Revaluation reserve	Profit and loss account (as restated)	Total equity
	£	£	£	£	£
At 1 January 2017	100	9,455,516	-	(2,781,606)	6,674,010
Comprehensive income for the year					
Profit for the year	-	-	-	5,822,823	5,822,823
Total comprehensive income for the year	-	-	-	5,822,823	5,822,823
Dividends: Equity capital	-	-	-	(450,000)	(450,000)
Transfer to/from profit and loss account	-	-	4,891,059	(4,891,059)	-
Cancellation of shares (note 25)	-	(9,455,516)	-	9,455,516	-
Total transactions with owners	-	(9,455,516)	4,891,059	4,114,457	(450,000)
At 31 December 2017	100	-	4,891,059	7,155,674	12,046,833

Please refer to note 25 for further details of the prior year adjustment.

The notes on pages 11 to 26 form part of these financial statements.

1. General information

Dragonglass Milton Keynes Limited is a private limited company limited by shares, registered in England and Wales, registration number 06398416.

Its registered office is Greenhill House, 90/93 Cowcross Street, London, EC1M 6BF. Its principal place of business is Timbold Drive, Kents Hill Park, Milton Keynes, MK7 6HL.

The company's financial statements are presented in sterling the company's functional currency. Amounts have been rounded to the nearest pound.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') 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 management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Exemption for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions. The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Dragonglass Bidco Limited as at 31 December 2018 and these financial statements may be obtained from Companies House.

2.3 Going concern

The company meets its day-to-day working capital requirements through its bank facilities. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company expect to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

2. Accounting policies (continued)

2.4 Turnover

Rental income
Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

Hotel income
Turnover from hotel operations arise wholly in the United Kingdom. The turnover of the hotel is derived primarily from the rental of rooms, conference and banqueting, food and beverage sales. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes.

Rendering of services

Turnover from a contract to provide 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 turnover can be measured reliably;
- it is probable that the company 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.

2.5 Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.6 Finance costs

Finance costs are charged to the 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.

2.7 Pensions

Defined contribution pension plan

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

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

2.8 Current and deferred taxation

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

2. Accounting policies (continued)

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 operates and generates 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 not 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.

2.9 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on computer software on a straight line basis over its expected useful life of three years and is recorded within administrative expenses in the Statement of Comprehensive Income.

2.10 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, 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.

2. Accounting policies (continued)

2.10 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 basis:

Buildings	- 50 years
Fixtures, fittings and equipment	- between 7.5% and 33.3% per annum dependant on asset class

Land is not depreciated.

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

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

2.11 Impairment of tangible and intangible assets

The carrying values are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount.

A tangible or intangible asset is derecognised upon disposal or when no future economic benefits are expected to rise from its continued use. Gains or losses are included in profit or loss in the period of derecognition.

2.12 Investment property

Investment property is carried at fair value determined annually and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any change in the nature, location or condition of the specific asset. No depreciation id provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

2.13 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 first in, first out 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.

2.14 Debtors

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

2. Accounting policies (continued)

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.16 Creditors

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

2.17 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like 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 debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

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

Derivatives, including interest rate caps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.18 Dividends payable

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

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

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgments, estimates and assumptions about the carrying amounts and useful lives of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies
The following are critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Taxation
Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Key sources of estimation uncertainty
They key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

Impairment of fixed assets
Determining whether fixed assets are impaired requires an initial analysis of the asset, considering if there are any indicators of impairment. If there is such an indication, the value of asset's cash generating unit is compared to the carrying amount of the asset's cash generating unit.

Investment property valuation
The directors have estimated the value of investment property using information available to them such as market rates, yields, formal valuations and projections. The directors consider the estimate to be appropriate as it represents fair value at the year end.

4. Turnover

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

	2018 £	2017 £
Rental income from investment property	122,740	964,779
Hotel - Rooms	2,271,876	-
Hotel - Food & beverage	828,805	-
Hotel - Other turnover	249,285	-
	3,472,706	964,779

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Wages and salaries	718,734	-
Social security costs	42,789	-
Other pension costs	13,687	-

During the year director's remuneration totalled £Nil (2017 - £Nil).

6. Fair value movement

	2018 £	2017 £
Fair value movement of investment property	(195,670)	4,891,059
Fair value movement of interest swap	13,744	-
	(181,926)	4,891,059

7. Auditors' remuneration

	2018 £	2017 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements. 2017 relates to the previous auditor.	4,060	15,000

The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent company.

8. Employees

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	718,734	-
Social security costs	42,789	-
Cost of defined contribution scheme	13,687	-
	775,210	-

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

	2018 No.	2017 No.
Employees	48	-

9. Interest receivable and similar income

	2018 £	2017 £
Other interest receivable	7,800	66,105
	7,800	66,105

10. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	146,561	-
Other loan interest payable	2,527	15,892
	149,088	15,892

11. Tax on profit

	2018 £	2017 £
Corporation tax		
Adjustments in respect of previous periods	85	-
Total current tax	85	-
Deferred tax		
Origination and reversal of timing differences	575,447	(119,570)
Total deferred tax	575,447	(119,570)
Taxation on profit	575,532	(119,570)

Factors affecting tax charge for the year

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

	2018 £	2017 £
Profit on ordinary activities before tax	246,714	5,703,253
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	46,876	1,097,680
Effects of:		
Capital allowances for year in excess of depreciation	(48,526)	(420,885)
Other timing differences leading to an increase in taxation	85	-
Expenses not deductible for tax purposes, other than goodwill and impairment	39,466	-
Non-taxable income	(2,611)	(941,361)
Group relief surrendered to/(received from) fellow subsidiaries free of charge	(35,205)	144,996
Deferred tax charge for the year	575,447	-
Total tax charge for the year	575,532	(119,570)

11. Tax on profit (continued)

Factors that may affect future tax charges

The Finance (No.2) Act 2015, substantively enacted on 28 October 2015, reduced the main rate of corporation tax from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020, whilst the Finance Act 2016, substantively enacted on 6 September 2016, included further reduction of the rate of 18% to 17% from 1 April 2020. These changes do not have a material impact on the financial statements.

The Group's future tax charge could be affected by numerous factors including, but not limited to, the UK's triggering of Article 50 and any future consequences of the UK leaving the European Union, tax rules relating to the utilisation of brought forward losses and any tax reforms adopted from the OECD's BEPS actions such as those in relation to the deductibility of interest, anti-avoidance or transfer pricing. No quantification of these changes is currently possible due to uncertainty around when any currently proposed rules will be enacted or effective.

12. Dividends

	2018 £	2017 £
Dividends	-	450,000
	-	450,000

13. Intangible assets

	Computer software £
Cost	
At 1 January 2018	27,055
Disposals	(5,500)
At 31 December 2018	21,555
Amortisation	
At 1 January 2018	16,050
On disposals	2,325
At 31 December 2018	18,375
Net book value	
At 31 December 2018	3,180
At 31 December 2017	11,005

14. Tangible fixed assets

	Land and buildings £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 January 2018	-	2,219,654	2,219,654
Additions	-	62,852	62,852
Transfers from investment property	7,910,000	-	7,910,000
At 31 December 2018	7,910,000	2,282,506	10,192,506
Depreciation			
At 1 January 2018	-	1,425,323	1,425,323
Charge for the year on owned assets	100,555	148,948	249,503
At 31 December 2018	100,555	1,574,271	1,674,826
Net book value			
At 31 December 2018	7,809,445	708,235	8,517,680
At 31 December 2017	-	794,331	794,331

15. Investment property

	Freehold investment property £
At 1 January 2018	8,105,670
Fair value movements	(195,670)
Transfer to tangible fixed assets	(7,910,000)
At 31 December 2018	-

The fair value of the company's investment property at 31 December 2017 was arrived at on the basis of a valuation carried out at that date. The valuation, conducted by directors, which conforms to International Valuation Standards was arrived at by reference to the consideration payable by a new acquirer for the investment property.

Investment property was transferred to fixed assets on 16 March 2018 due to the company purchasing the trade and business associated with the company, therefore the asset is now used within the business.

16. Stocks

	2018 £	2017 £
Food and beverage stock	14,865	-
	14,865	-

17. Debtors

	2018 £	2017 £
Trade debtors	71,711	-
Amounts owed by group undertakings	9,325,870	3,642,504
Other debtors	268,015	16,995
Prepayments and accrued income	68,968	12,807
Corporation tax	179,595	-
Financial instruments (Note 21)	13,744	-
	9,927,903	3,672,306

Amounts owed by group undertakings are included in amounts due within one year where there are no separate repayment terms. Amounts owed by group undertakings do not attract interest and are repayable on demand.

18. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	644,124	50,023
	644,124	50,023

19. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	141,485	-
Amounts owed to group undertakings	625,572	394,586
Other taxation and social security	11,412	-
Other creditors	39,103	-
Accruals and deferred income	247,574	35,625
	1,065,146	430,211

Amounts owed to group undertakings are included in amounts due within one year where there are no specified repayment terms. Amounts owed to group undertakings do not attract interest and are repayable on demand.

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

	2018 £	2017 £
Bank loans	5,592,220	-
	5,592,220	-

During the year the company entered into a bank loan for £5,655,000 which is secured against the hotel owned by the company as shown in tangible fixed assets. Interest is charged at LIBOR + 2.65%. The loan was repaid in full in April 2019 following the change in ownership.

21. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets measured at fair value through profit or loss	13,744	-
Financial assets that are debt instruments measured at amortised cost	9,665,596	3,838,546
	9,679,340	3,838,546
Financial liabilities		
Financial liabilities measured at amortised cost	(1,065,146)	(430,210)
Loan commitments measured at cost	(5,592,220)	-
	(6,657,366)	(430,210)

Financial assets measured at fair value through profit or loss comprise an interest rate cap which is valued by a qualified third party valuer.

22. Deferred taxation

	2018 £	2017 £
At beginning of year	(156,291)	(275,861)
Charged to profit or loss	(576,080)	119,570
At end of year	(732,371)	(156,291)

The deferred taxation balance is made up as follows:

	2018 £	2017 £
Decelerated capital allowances	(103,909)	(156,291)
Deferred gains on properties	(628,462)	-
	(732,371)	(156,291)

23. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
100 (2017 - 100) Ordinary shares of £1.00 each	100	100

24. Reserves

Revaluation reserve

The revaluation reserve comprises all fair value movements on the investment properties less associated deferred tax.

Profit and loss account

The profit and loss reserve comprises all retained profits and losses to date, less dividends paid, fair value movements on investment properties and associated deferred tax.

25. Prior year adjustment

In the current financial statements, the prior year balances have been restated to reflect shares cancelled during the previous year. A special resolution was passed by the directors in December 2017 to reduce share premium from £9,455,516 to £Nil.

This transaction was not reflected in the financial statements for the year ended 31 December 2017.

The impact of the restatement is as follows:

	31 December 2017 £	Adjustment £	31 December 2017 (as restated) £
Share premium account	9,455,516	(9,455,516)	-
Profit and loss account	(2,299,842)	9,455,516	7,155,674
	7,155,674	-	7,155,674

26. Contingent liabilities

The company had jointly and severally guaranteed the value added tax liability of other companies within the same UK VAT group, which amounted to approximately £1.1m (2017 £1.6m) at 31 December 2018.

27. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions totalling £1,378 (2017 - £Nil) were payable to the fund at the balance sheet date and are included in creditors.

28. Post balance sheet events

Dragonglass Bidco Limited, the immediate parent company, disposed of its interest in 100% of the share capital of the company on 8 April 2019.

As a result of the sale of the company the bank borrowings, within creditors more than one year, were repaid in full.

29. Controlling party

Until 26 February 2018, the company's immediate parent undertaking during the period was Park Intermediate Holdings LLC, a company incorporated in the United States of America. From this date, Dragonglass Bidco Limited (UK) became the company's immediate parent, SOF 11 Lux MasterCo sarl became the company's ultimate controlling party and SOF-11 International SCSp (Luxembourg) became the company's ultimate parent. The parent company's accounts can be obtained from 2nd Floor One Eagle Place, St. James's, London, United Kingdom, SW1Y 6AF.

Following the sale of the company on 8 April 2019, the controlling party is now Bgam Hotels (Mk) Ltd.