Company Registration No. 09329964 (England and Wales)

Q.N. (HOLDINGS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Q.N. (HOLDINGS) LIMITED

COMPANY INFORMATION

Directors	Q Ahmed A Ahmed
Company number	09329964
Registered office	QN House Unit 4 Loughton Business Centre 5 Langston Road Essex IG10 3FL
Auditor	H W Fisher & Company Acre House 11-15 William Road London NW1 3ER United Kingdom
Bankers	Coutts & Co 440 Strand London WC2R 0QS

Q.N. (HOLDINGS) LIMITED

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Q.N. (HOLDINGS) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present the strategic report for the year ended 31 December 2017.

Fair review of the business
The group delivered another set of strong results in 2017 with growth in revenue.

Direct costs were well controlled. Payroll cost increased across however with increases in Living Wage and minimum wage this is an acceptable increase in payroll costs.

Expenses were well managed, with increases in rooms expenses resulting from the continued growth in travel agent commissions.

The group continued to invest into its assets with refurbishment works being undertaken at both the hotel in Sandy and Newport. The hotel is Sandy successfully converted to a Days Inn hotel. The franchise agreement for the Holiday Inn Newport which expired in 2018 has been renewed for a further 20 years.

The year-end balance sheet reflects the strong performance of 2017.

Future Developments
Trading is steady and the current year will remain profitable. The air-conditioning system was completely changed in the Holiday Inn Ashford in the first half of 2018.

Key performance indicators
In the opinion of the directors there are no key performance indicators.

Matters of Strategic Importance
Gas and electricity costs are increasing substantially, and the group is managing the purchase of these using external consultants. Managing payroll expense is still a challenge as there are significant increases in both National Minimum Wage and National Living Wage. There continues some uncertainty in the economy due to the Brexit vote, however the business on the books remains strong with a number of projects in the pipeline in the relevant areas. It is therefore expected that in 2018 the group will deliver its budgetary targets.

Principal Risks and Uncertainties
The principal risks and uncertainties facing the business (apart from those associated with a general economic downturn) relate to the management of cash and borrowing requirements .

On behalf of the board

....

Q Ahmed
Director
28-9-2018

Q.N. (HOLDINGS) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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

Principal activities
The principal activity of the group continued to be that of hoteliers.

The principal activity of the company is a holding company.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Q Ahmed
A Ahmed

Results and dividends
The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Disabled persons
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement
The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

There is no employee share scheme at present.

Auditor
The auditor, H W Fisher & Company, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

....
Q Ahmed
Director
Date: 28.9.2018

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company, 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 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF Q.N. (HOLDINGS) LIMITED

Opinion

We have audited the financial statements of Q.N. (Holdings) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 December 2017 and of the group's profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's 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.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF Q.N. (HOLDINGS) LIMITED

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 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.

Simon Mott-Cowan (Senior Statutory Auditor)
for and on behalf of H W Fisher & Company

Chartered Accountants
Statutory Auditor
Acre House
11-15 William Road
London
NW1 3ER
United Kingdom
28 September 2018

Q.N. (HOLDINGS) LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
Turnover	3	9,833,578	9,359,149
Cost of sales		(4,762,578)	(4,644,560)
Gross profit		5,071,000	4,714,589
Administrative expenses		(3,298,884)	(2,725,241)
Other operating income		375,794	41,000
Operating profit	5	2,147,910	2,030,348
Interest payable and similar expenses	9	(286,746)	(373,641)
Fair value gains and losses on derivative financial instruments		-	44,443
Fair value gains and losses on investment properties		58,302	-
Other gains	4	1,729,920	-
Profit before taxation		3,649,386	1,701,150
Taxation	10	(130,705)	167,196
Profit for the financial year		3,518,681	1,868,346

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

Q.N. (HOLDINGS) LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £	2016 £
Profit for the year	3,518,681	1,868,346
Other comprehensive income		
Revaluation of tangible fixed assets	910,000	4,012,936
Tax relating to other comprehensive income	(76,585)	(290,530)
Other comprehensive income for the year	833,415	3,722,406
Total comprehensive income for the year	4,352,096	5,590,752

Total comprehensive income for the year is all attributable to the owners of the parent company.

Q.N. (HOLDINGS) LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Intangible assets	11		12,418		4,711
Tangible assets	12		20,952,428		18,757,811
			20,964,846		18,762,522
Current assets					
Stocks	16	55,009		59,896	
Debtors	17	1,770,534		1,602,721	
Cash at bank and in hand		322,322		56,323	
		2,147,865		1,718,940	
Creditors: amounts falling due within one year	18	(3,557,883)		(6,519,357)	
Net current liabilities			(1,410,018)		(4,800,417)
Total assets less current liabilities			19,554,828		13,962,105
Creditors: amounts falling due after more than one year	19		(7,303,013)		(6,138,971)
Provisions for liabilities	21		(367,115)		(290,530)
Net assets			11,884,700		7,532,604
Capital and reserves					
Called up share capital	23		1,000,000		1,000,000
Share premium account			17,476,650		17,476,650
Revaluation reserve			5,757,324		4,923,909
Other reserves			58,302		-
Profit and loss reserves			(12,407,576)		(15,867,955)
Total equity			11,884,700		7,532,604

The financial statements were approved by the board of directors and authorised for issue on 28.9.18 and are signed on its behalf by:

....

Q Ahmed
Director

Q.N. (HOLDINGS) LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Investments	13		1,000,000		1,000,000
Capital and reserves					
Called up share capital	23		1,000,000		1,000,000

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £0 (2016 - £0 profit).

The financial statements were approved by the board of directors and authorised for issue on 28.9.18 and are signed on its behalf by:

....

Q Ahmed
Director

Company Registration No. 09329964

Q.N. (HOLDINGS) LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Share premium account	Revaluation reserve	Other reserves	Profit and loss reserves	Total
	£	£	£	£	£	£
Balance at 1 January 2016	1,000,000	17,476,650	1,201,503	-	(17,736,301)	1,941,852
Year ended 31 December 2016:						
Profit for the year	-	-	-	-	1,868,346	1,868,346
Other comprehensive income:						
Revaluation of tangible fixed assets	-	-	4,012,936	-	-	4,012,936
Tax relating to other comprehensive income	-	-	(290,530)	-	-	(290,530)
Total comprehensive income for the year	-	-	3,722,406	-	1,868,346	5,590,752
Balance at 31 December 2016	1,000,000	17,476,650	4,923,909	-	(15,867,955)	7,532,604
Year ended 31 December 2017:						
Profit for the year	-	-	-	-	3,518,681	3,518,681
Other comprehensive income:						
Revaluation of tangible fixed assets	-	-	910,000	-	-	910,000
Tax relating to other comprehensive income	-	-	(76,585)	-	-	(76,585)
Total comprehensive income for the year	-	-	833,415	-	3,518,681	4,352,096
Transfers	-	-	-	58,302	(58,302)	-
Balance at 31 December 2017	1,000,000	17,476,650	5,757,324	58,302	(12,407,576)	11,884,700

Q.N. (HOLDINGS) LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £
Balance at 1 January 2016	1,000,000
Year ended 31 December 2016:	
Profit and total comprehensive income for the year	-
Balance at 31 December 2016	1,000,000
Year ended 31 December 2017:	
Profit and total comprehensive income for the year	-
Balance at 31 December 2017	1,000,000

Q.N. (HOLDINGS) LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2017 £	2016 £	2016 £
Cash flows from operating activities					
Cash generated from operations	27		471,936		813,424
Interest paid			(286,746)		(373,641)
Income taxes refunded			26,108		32,954
Net cash inflow from operating activities			211,298		472,737
Investing activities					
Purchase of intangible assets		(10,448)		-	
Purchase of tangible fixed assets		(160,099)		(303,234)	
Net cash used in investing activities			(170,547)		(303,234)
Financing activities					
Repayment of other loans		(8,400)		(8,400)	
Proceeds of new bank loans		1,960,000		-	
Repayment of bank loans		(1,290,151)		(318,249)	
Net cash generated from/(used in) financing activities			661,449		(326,649)
Net increase/(decrease) in cash and cash equivalents			702,200		(157,146)
Cash and cash equivalents at beginning of year			(432,551)		(275,405)
Cash and cash equivalents at end of year			269,649		(432,551)
Relating to:					
Cash at bank and in hand			322,322		56,323
Bank overdrafts included in creditors payable within one year			(52,673)		(488,874)

1 Accounting policies

Company information

Q.N. (Holdings) Limited ("the company") is a private company limited by shares incorporated in England and Wales. The registered office is QN House Unit 4, Loughton Business Centre, 5 Langston Road, Essex, IG10 3FL.

The group consists of Q.N. (Holdings) Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

1.2 Basis of consolidation

The company was established in 2014 as a new holding company for the Q.N. Hotels group, with the ultimate owners' interests unchanged. In the consolidated financial statements, the group reconstruction has been accounted for under merger accounting principles as if the group had always been in existence in its current form. Therefore the assets and liabilities of each of the subsidiaries were recognised at their book value.

The consolidated financial statements incorporate those of Q.N. (Holdings) Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

All financial statements are made up to 31 December 2017.

All intra-group balances are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1 Accounting policies **(Continued)**

1.4 Turnover

Turnover is derived from hotel operations, and arose wholly in the United Kingdom. Turnover is recognised when services have been rendered. The turnover of the hotels is derived primarily from the rental of rooms, conference and banqueting, food and beverage sales. Turnover is all rendering of goods and services. Turnover is also derived from the sale of fitness club membership and associated joining and administration fees.

Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes.

1.5 Intangible fixed assets other than goodwill

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Franchise fees	over 20 years

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings	See below
Plant and equipment	15% straight line
Fixtures and fittings	15% straight line

The residual value of the buildings is considered to equal to the carrying value and so no depreciation is charged.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.7 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. The surplus or deficit on revaluation is recognised in profit or loss.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

1.8 Fixed asset investments

Interest in subsidiaries are initially measured at cost in the parent company financial statements, and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.9 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1 Accounting policies **(Continued)**

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in or , unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.11 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset,. the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

1 Accounting policies **(Continued)**

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.13 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.14 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies **(Continued)**

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.16 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.17 Retirement benefits

The group makes pension contributions to a money purchase scheme in respect of certain directors. Contributions payable are charged to the profit and loss account in the Period they are payable.

The group operates a defined contribution pension scheme under the automatic enrolment legislation for the benefit of its employees. Contributions payable are charged to the profit and loss accounts in the period they are payable.

1.18 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

2 Judgements and key sources of estimation uncertainty **(Continued)**

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Valuation of land and buildings

The company has adopted the revaluation model in respect of land and buildings. The fair value of the assets has been determined using a multiple of turnover, which the directors considers the appropriate method to use due to the nature of the company's operations. The method is based on the method applied by a firm of chartered surveyors. The valuation is subjective due to, among other factors, the individual nature and condition of the buildings and their location. As a result the valuation is subject to a degree of uncertainty and is made on the basis of assumptions which may not prove to be accurate.

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2017	2016
	£	£
Hotel Operations	9,833,578	9,359,149

	2017	2016
	£	£
Turnover analysed by geographical market		
United Kingdom	9,833,578	9,359,149

4 Other gains

	2017	2016
	£	£
Release of bank loan	(1,729,920)	-

A deed of settlement and release was agreed on 7 March 2017 with a previous bank. Under the settlement a sum of £1,729,920 was released by the bank.

5 Operating profit

	2017	2016
	£	£
Operating profit for the year is stated after charging:		
Depreciation of owned tangible fixed assets	138,433	123,266
(Profit)/loss on disposal of tangible fixed assets	-	4,716
Amortisation of intangible assets	2,741	2,222
Cost of stocks recognised as an expense	505,054	551,655
Operating lease charges	59,792	57,215

6 Auditor's remuneration

	2017	2016
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the company's group and subsidiaries	101,700	72,174

7 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2017 Number	2016 Number	Company 2017 Number	2016 Number
Hotel service staff	232	236	-	-
Adminstration and management staff	39	33	-	-
Directors	1	1	-	-
	272	270	-	-

Their aggregate remuneration comprised:

	Group 2017 £	2016 £	Company 2017 £	2016 £
Wages and salaries	3,551,728	3,383,952	-	-
Social security costs	245,166	199,618	-	-
Pension costs	16,753	16,058	-	-
	3,813,647	3,599,628	-	-

8 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	79,000	73,750
Company pension contributions to defined contribution schemes	371	319
	79,371	74,069

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 1 (2016 - 1).

9 Interest payable and similar expenses

	2017	2016
	£	£
Interest on bank overdrafts and loans	286,746	373,641

10 Taxation

	2017	2016
	£	£
Current tax		
UK corporation tax on profits for the current period	130,705	-
Adjustments in respect of prior periods	-	(167,196)
Total current tax	130,705	(167,196)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2017	2016
	£	£
Profit before taxation	3,649,386	1,701,150
Expected tax charge based on the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	702,507	340,230
Tax effect of expenses that are not deductible in determining taxable profit	(4,420)	26,704
Tax effect of income not taxable in determining taxable profit	(231,195)	(311,683)
Tax effect of utilisation of tax losses not previously recognised	(266,051)	(24,866)
Unutilised tax losses carried forward	-	2,538
Adjustments in respect of prior years	(5,953)	(167,196)
Group relief	-	(10,173)
Permanent capital allowances in excess of depreciation	(64,183)	(22,750)
Taxation charge/(credit) for the year	130,705	(167,196)

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2017	2016
	£	£
Deferred tax arising on:		
Revaluation of property	76,585	290,530

11 Intangible fixed assets

Group	Franchise fees
	£
Cost	
At 1 January 2017	32,767
Additions	10,448
At 31 December 2017	43,215
Amortisation and impairment	
At 1 January 2017	28,056
Amortisation charged for the year	2,741
At 31 December 2017	30,797
Carrying amount	
At 31 December 2017	12,418
At 31 December 2016	4,711

The company had no intangible fixed assets at 31 December 2017 or 31 December 2016.

12 Tangible fixed assets

Group	Land and buildings	Investment property	Plant and equipment	Fixtures and fittings	Total
	£	£	£	£	£
Cost or valuation					
At 1 January 2017	18,105,351	126,420	933,095	4,051,519	23,216,385
Additions	-	-	68,404	91,695	160,099
Revaluation	2,114,649	58,302	-	-	2,172,951
At 31 December 2017	20,220,000	184,722	1,001,499	4,143,214	25,549,435
Depreciation and impairment					
At 1 January 2017	-	-	893,348	3,565,226	4,458,574
Depreciation charged in the year	-	-	18,514	119,919	138,433
At 31 December 2017	-	-	911,862	3,685,145	4,597,007
Carrying amount					
At 31 December 2017	20,220,000	184,722	89,637	458,069	20,952,428
At 31 December 2016	18,105,351	126,420	39,747	486,293	18,757,811

The company had no tangible fixed assets at 31 December 2017 or 31 December 2016.

12 Tangible fixed assets **(Continued)**

Q N Hotels freehold land and buildings and long leasehold buildings were revalued by the directors on a basis which was consistent with the Q N Hotels (Aylesbury) Limited open market value in May 2017, carried out by a firm of Chartered Surveyors. The valuations were based on a multiple of turnover, which the directors believe is appropriate.

Swanfield Limited's freehold land and building was revalued by the directors on a basis which was consistent with the Q N Hotels (Aylesbury) Limited open market value in May 2017, carried out by a firm of Chartered Surveyors. The valuations were based on a multiple of turnover, which the directors believe is appropriate.

Q N Hotels (Wrexham) Limited is valued by the directors at a basis consistent with the Q N Hotels (Aylesbury) Limited open market value in May 2017, carried out by a firm of Chartered Surveyors. The valuations were based on a multiple of turnover, which the directors believe is appropriate.

Q N Hotels (Aylesbury) Limited's freehold land and building were subject to revaluation at open market value in August 2018, carried out by a firm of Chartered Surveyors.

The directors confirm the values are reflective of the market values at the year end.

All other tangible fixed assets are stated at historical cost.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	Group 2017	2016	Company 2017	2016
	£	£	£	£
Cost	16,644,192	16,644,192	-	-
Accumulated depreciation	(1,255,344)	(1,000,112)	-	-
Carrying value	15,388,848	15,644,080	-	-

13 Fixed asset investments

		Group 2017	2016	Company 2017	2016
	Notes	£	£	£	£
Investments in subsidiaries	14	-	-	1,000,000	1,000,000

13 Fixed asset investments (Continued)

Movements in fixed asset investments

Company	**Shares in group undertakings**
	£
Cost or valuation	
At 1 January 2017 and 31 December 2017	1,000,000
Carrying amount	
At 31 December 2017	1,000,000
At 31 December 2016	1,000,000

14 Subsidiaries

Details of the company's subsidiaries at 31 December 2017 are as follows:

Name of undertaking	Registered office key	Nature of business	Class of shares held	% Held Direct	% Held Indirect
Q.N. Hotels (Aylesbury) Limited	1	Hotelier	Ordinary shares		100.00
Q.N. Hotels (Wrexham) Limited	1	Hotelier	Ordinary shares		100.00
Q.N. Hotels Limited	1	Hotelier	Ordinary shares	100.00	
Swanfield Limited	1	Hotelier	Ordinary shares		100.00

Registered office key:

1 - QN House, Loughton Business Centre, 5 Langston Road, Loughton, Essex, IG10 3FL

15 Financial instruments

	Group 2017	Group 2016	Company 2017	Company 2016
	£	£	£	£
Carrying amount of financial assets				
Debt instruments measured at amortised cost	1,624,421	1,456,134	n/a	n/a
Carrying amount of financial liabilities				
Measured at fair value through profit or loss				
- Other financial liabilities	-	137,743	-	-
Measured at amortised cost	9,075,751	10,545,101	n/a	n/a

As permitted by the reduced disclosure framework within FRS 102, the company has taken advantage of the exemption from disclosing the carrying amount of certain classes of financial instruments, denoted by 'n/a' above.

16 Stocks

	Group 2017	2016	Company 2017	2016
	£	£	£	£
Raw materials and consumables	55,009	59,896	-	-

17 Debtors

	Group 2017	2016	Company 2017	2016
Amounts falling due within one year:	£	£	£	£
Trade debtors	369,693	356,550	-	-
Other debtors	1,254,728	1,099,584	-	-
Prepayments and accrued income	146,113	146,587	-	-
	1,770,534	1,602,721	-	-

18 Creditors: amounts falling due within one year

	Notes	Group 2017	2016	Company 2017	2016
		£	£	£	£
Bank loans and overdrafts	20	366,829	3,035,543	-	-
Other loans	20	8,400	8,400	-	-
Trade creditors		889,851	825,222	-	-
Corporation tax payable		367,647	210,834	-	-
Other taxation and social security		1,417,498	1,764,650	-	-
Derivative financial instruments		-	137,743	-	-
Other creditors		232,390	281,736	-	-
Accruals and deferred income		275,268	255,229	-	-
		3,557,883	6,519,357	-	-

19 Creditors: amounts falling due after more than one year

		Group		Company	
		2017	2016	2017	2016
	Notes	£	£	£	£
Other loans	20	58,800	67,200	-	-
Bank loans and overdrafts	20	7,244,213	6,071,771	-	-
		7,303,013	6,138,971	-	-

Amounts included above which fall due after five years are as follows:

Payable by instalments	25,200	33,600	-	-

20 Loans and overdrafts

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Other loans	67,200	75,600	-	-
Bank loans	7,558,369	8,618,440	-	-
Bank overdrafts	52,673	488,874	-	-
	7,678,242	9,182,914	-	-
Payable within one year	375,229	3,043,943	-	-
Payable after one year	7,303,013	6,138,971	-	-

Amounts included above which fall due after five years:

Payable by instalments	25,200	33,600	-	-

The bank loan totalling £6,612,995 is secured by way of a fixed and floating charge over the assets of the company and its subsidiaries, Q N Hotels (Wrexham) Limited, Q.N (Aylesbury) Limited and Swanfield Limited. The bank loan is repayable in quarterly instalments of £116,250, payable until May 2020. Bank loan interest rate is 3.25%.

The other loan is secured by a way of a legal charge over the assets of QN Hotels (Wrexham) Limited, and is subject to a fixed rate of interest of 6.7%.

The bank loan totalling £988,377 is secured by way of a fixed and floating charge over the assets of the company and its subsidiaries, Q N Hotels (Wrexham) Limited, Q.N (Aylesbury) Limited and Swanfield Limited. The bank loan is repayable in quarterly instalments of £17,000, payable until September 2022. Bank loan interest rate is 3.25%.

21 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2017	Liabilities 2016
Group	**£**	**£**
Revaluations	367,115	290,530

The company has no deferred tax assets or liabilities.

	Group 2017	Company 2017
Movements in the year:	**£**	**£**
Liability at 1 January 2017	290,530	-
Charge to other comprehensive income	76,585	-
Liability at 31 December 2017	367,115	-

22 Retirement benefit schemes

	2017	2016
Defined contribution schemes	**£**	**£**
Charge to profit or loss in respect of defined contribution schemes	16,753	16,058

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

23 Share capital

	Group and company 2017	2016
Ordinary share capital	**£**	**£**
Issued and fully paid		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000

24 Financial commitments, guarantees and contingent liabilities

The company forms part of a cross company guarantee securing bank borrowings of Q.N. Hotels Limited. At 31 December 2017 these borrowings amounted to £6,612,995 (2016: £6,411,652).

The company forms part of a cross company guarantee securing bank borrowings of Q.N. Hotels (Aylesbury) Limited. At 31 December 2017 these borrowings amounted to £988,377 (2016: £nil).

25 Related party transactions

One of the directors owed the company £147,852 on 1 January 2017. During the year, the company advanced £163,802 to the director. At the year end, the director owed the company £311,654. The transactions mainly relate to personal expenses paid by the company on the director's behalf and cash withdrawals by the director. The amount owed by the director is unsecured, interest free and repayable on demand.

Included within other creditors is an amount of £39,227 (2016: £33,656) due to a director.

During the year the group was charged rent of £31,200 (2016: £31,189) for the use of a property owned by a company under common control. At the year end, an amount of £160,954 (2016: £147,325) was due from this company.

At the year end, an amount of £255,339 was due from another company under common control.

26 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Within one year	55,789	46,514	-	-
Between two and five years	155,729	122,300	-	-
In over five years	-	27,500	-	-
	211,518	196,314	-	-

26 Operating lease commitments (Continued)

Lessor

The operating leases represent leases to third parties. The leases are negotiated over terms of 70 months and rentals are fixed for the period. There is no break clause and there are no options in place for either party to extend the lease terms. There are no contingent rent or escalation clauses. There are no significant restrictions imposed by lease arrangements.

At the reporting end date the group had contracted with tenants for the following minimum lease payments:

	Group 2017	2016	Company 2017	2016
	£	£	£	£
Within one year	36,000	36,000	-	-
Between two and five years	138,000	144,000	-	-
In over five years	-	30,000	-	-
	174,000	210,000	-	-

27 Cash generated from group operations

	2017	2016
	£	£
Profit for the year after tax	3,518,681	1,868,346
Adjustments for:		
Taxation charged/(credited)	130,705	(167,196)
Finance costs	286,746	373,641
(Gain)/loss on disposal of tangible fixed assets	-	4,716
Fair value gains and losses on foreign exchange contracts and investment properties	(1,788,222)	-
Amortisation and impairment of intangible assets	2,741	2,222
Depreciation and impairment of tangible fixed assets	138,433	123,266
Impairment losses reversed	(1,204,649)	(1,493,966)
Fair value gains and losses on derivative financial instruments	-	(44,443)
Movements in working capital:		
Decrease/(increase) in stocks	4,887	(929)
(Increase) in debtors	(167,813)	(173,950)
(Decrease)/increase in creditors	(449,573)	321,717
Cash generated from operations	471,936	813,424