

Flat Cap Hotels Limited

Report and Financial Statements

31 December 2018 (unaudited)

Company Number: 09571307 (England & Wales)

Flat Cap Hotels Limited

Report and financial statements for the 363 day period ended 29 December 2018

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Directors

O Heywood
D Heywood
P Heywood
S Cliff
P Minesh

Registered office

The Vicarage
Knutsford Road
Crangan
Holmes Chapel
Cheshire
CW4 8EF

Company Registration No. 09571307 (England & Wales)

Flat Cap Hotels Limited

Strategic Report for the 363 day period ended 29 December 2018

The directors present their strategic report together with the financial statements for the 363 day period ended 29 December 2018.

Principal Activities

The company's principal activity is the that of a holding company for a portfolio of independent boutique hotels with restaurants and pubs located in the UK.

Review of business

A summary of the key financial and other performance indicators during the year are as follows:

	2018 £	2017 £
Operating loss	(634,601)	(72,756)
(Loss)/profit on ordinary activities after tax	(797,723)	8,400
Shareholder's funds	363,382	501,682

Principal risks and uncertainties

The company is subject to a variety of risks, which may have an adverse impact on the business, its operating results, turnover, profit, assets and reserves. The company's risk profile can be broadly defined as being commercial and financial. Commercial risks are addressed as part of the day-to-day operations and management of the company. The primary risks facing the hotel industry are the continuing threat of terrorism, the economic and political uncertainty and the cyclical nature of hotel performance. The reliance of hotels on economic growth as well as consumer confidence also plays a role.

The directors have also considered the impact on the financial statements of market risk, currency risk, interest rate risk, credit risk, liquidity risk and the potential economic impact of Brexit. The directors believe that any adverse changes in the market to the parameters that determine the effects of these financial risks is not expected to have a significant immediate impact on the financial performance and position of the company. The directors continue to monitor the economic market for fluctuations which drive the company's decisions and policy, in particular with regard to the short and medium term impact of Brexit.

Approval

This Strategic Report was approved by order of the Board on 3 December 2019



Oliver Heywood
Director

Flat Cap Hotels Limited

Director's Report for the 363 day period ended December 2018

The directors present their report and the financial statements for the 363 day period ended December 2018.

Results and dividends

The results are set out on page 5. The directors do not recommend the payment of a dividend.

Future developments

The directors continue to implement strategies to enhance the trading potential of the company.

Financial risk management objective and policies

The risks associated with the company have been outlined in the Strategic Report.

Directors

The following persons served as directors during the year:

- D Heywood
- O Heywood
- P Heywood (appointed 31 May 2018)
- S J Cliff (appointed 30 April 2018)
- P Minesh (appointed 31 May 2018)

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102 (FRS 102) applicable in the United Kingdom and Ireland. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements the directors are required to:

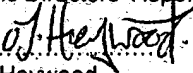
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 responsible for keeping adequate accounting records that are sufficient to show and explain the transactions of the company and disclose with reasonable accuracy at any time the financial position of the company to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006. This report and financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

Approval

This Directors' Report was approved by order of the Board on December 2019 by:


O Heywood
Director

Flat Cap Hotels Limited

Statement of Comprehensive Income for the 363 day period ended 29th December 2018.

	Note	363 day period to 29 December 2018	15-month period to 31 December 2017
		£	£
Turnover	3		90,005
Cost of sales			
Gross profit			90,005
Administrative expenses		(634,601)	(72,756)
Operating loss	4	(634,601)	(17,249)
Interest payable and similar charges	5	(163,122)	(8,849)
(Loss)/profit on ordinary activities before tax		(797,723)	8,400
Taxation on ordinary activities	6		
(Loss)/profit on ordinary activities after tax		(797,723)	8,400
Other comprehensive income for the period			
Gain on revaluation of land and buildings	8	786,866	491,663
Deferred tax on revaluation of land and buildings	6	(127,592)	(115,328)
Total other comprehensive income for the period		659,274	376,335
Total comprehensive income for the period		(138,449)	384,735

All amounts in the income statement relate to continuing activities.

The notes on pages 9 to 17 form part of these financial statements.

Flat Cap Hotels Limited

Statement of Financial Position as at 29th December 2018

		2018	2018	2017	2017
		£	£	£	£
Fixed assets:					
Tangible fixed assets	8		4,683,348		1,114,337
Intangible fixed assets	9		52,828		
Investments	10		102		101
Current assets:					
Debtors	11	303,932		37,858	
Cash in hand		566		72	
			304,498		37,930
Creditors amounts falling due within 1 year	12		(1,231,019)		(535,358)
Net current assets			(926,521)		(497,428)
Total assets less current liabilities:			3,809,757		617,010
Creditors falling due after 1 year	13		(3,203,455)		
Provisions for liabilities	14		(242,920)		(115,328)
Net liabilities:			363,382		501,682
Capital and reserves:					
Called up share capital	15		150		1
Profit and loss account			(787,705)		10,018
Revaluation reserve			1,150,937		491,663
Shareholder's funds attributable to owners of the parent company			363,382		501,682

The financial statements were approved by the Board of Directors and authorised for issue on December 2019


D. Heywood
Director

Company Registration No. 09571307 (England & Wales)

The notes on pages 9 to 17 form part of these financial statements

Flat Cap Hotels Limited

Statement of Changes in Equity for the 363 day period ended 29 December 2018

	Share capital £	Revaluation reserve £	Profit and loss account £	Total Equity £
At 1 January 2017	1	491,663	10,018	501,682
Profit and loss account			(797,723)	(797,723)
Share issue	149			149
At 31 December 2018	150	491,663	(787,705)	(295,892)
Other comprehensive income				
Revaluation increment		659,274		659,274
At 31 December 2018	150	1,150,937	(787,705)	363,382

The notes on pages 9 to 17 form part of these financial statements.

Flat Cap Hotels Limited

Consolidated Statement of Cashflows for the 363 day period ended December 2018

	Note	12 month period to 31 December 2018 £	15 month period to 31 December 2017 £
Cash flows from operating activities			
Loss after tax for the financial year		(797,723)	8,400
Adjustments for:			
Amortisation of intangible assets		5,870	
Depreciation of tangible fixed assets	8	241,431	70,446
(increase) / decrease in debtors		(266,074)	(37,858)
Increase / (decrease) in creditors		695,661	53,256
Interest and similar expenses		163,122	8,849
Cash from operating activities		42,287	103,093
Interest paid		(163,122)	(8,849)
		(120,835)	94,244
Cash flows from investing activities			
Investment in fixed assets		(3,023,576)	(89,656)
Acquisition of goodwill		(58,698)	
Investment in subsidiary undertaking		(1)	
Share subscription		149	
Net cash used in investing activities		(3,082,126)	(89,656)
Cash flows from financing activities			
(Decrease) / Increase in third party bank debt		1,988,168	
(Decrease) / increase in other liabilities			(4,516)
New related party loans		1,215,287	
Net cash used in financing activities		3,203,455	(4,516)
Net decrease in cash and cash equivalents		494	72
Cash and cash equivalents at beginning of year		72	
Cash and cash equivalents at end of year		566	72
Cash and cash equivalents comprise of:			
Cash at bank		566	72

The notes on pages 9 to 17 form part of these financial statements.

Flat Cap Hotels Limited

Notes forming part of the financial statements
for the 363 day period ended 29 December 2018

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets, and in accordance with Section 1A 'Small Entities' of FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006. In accordance with these provisions the company is not required to prepare consolidated financial statements.

The financial statements cover the period from 1 January 2018 to 31 December 2018.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires company management to exercise judgement in applying the company's accounting policies. Please see note 2 for further details on the judgements exercised.

The following principal accounting policies have been applied:

Going concern

It is the view of the directors that the company has sufficient financial resources to meet its financial obligations as and when they fall due. The directors have undertaken a full review of the company's projected cash flows for the year to 31 December 2019 and assessed its current banking covenants against these cash flows. The directors are satisfied that the company can meet its financial obligations as and when they fall due. As such, it is the opinion of the directors that it is appropriate to prepare the accounts on a going concern basis.

Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied exclusive of Value Added Tax and trade discounts.

Tangible fixed assets

Tangible fixed assets, other than freehold land and buildings, are stated at historical cost less accumulated depreciation, any 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.

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

Land and buildings and certain items of plant and equipment are held under the revaluation model at fair value, less any accumulated depreciation subsequent to revaluation and subsequent impairment losses. Revaluations are made with sufficient regularity.

Depreciation

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

Land & buildings	10% on cost
Plant & Machinery	15% reducing balance
Fixtures & fittings/ office equipment	15% reducing balance

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

Flat Cap Hotels Limited

Notes forming part of the financial statements
for the 363 day period ended 29 December 2018

Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

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

- 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the company can control their reversal and such reversal is not considered probable in the foreseeable future.

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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Pension costs

Contributions to the company's pension scheme are charged to profit or loss in the year in which they become payable.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Flat Cap Hotels Limited

Notes forming part of the financial statements
for the 363 day period ended 29 December 2018

Other key sources of estimation uncertainty

Tangible fixed assets (see note 8)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

The company's freehold land and buildings have been revalued in accordance with company's valuation policy. The directors, being aware of a valuation prepared at the request of Sancus (Jersey) Limited, considered that this valuation, although not addressed to the company, accurately reflects the value of the asset. Accordingly, the directors adopted this valuation at the balance date. The directors understand that this valuation was prepared with the Royal Institute of Chartered Surveyors (RICS) – Valuation Global Standards 2017 (the RICS Red Book®). The company's plant and equipment has been revalued to reflect the depreciable nature of the assets and depreciation charged since the initial revaluation. The aggregate revaluation resulted in gain on revaluation of £786,866 (2017: £491,663 gain) which has been credited to the revaluation reserve net of associated deferred taxation.

Flat Cap Hotels Limited

Notes forming part of the financial statements
for the 363 day period ended 29 December 2018

3 Analysis of Turnover

Turnover is wholly attributable to the principal activities of the company and the group and arises solely in the United Kingdom.

4 Operating loss

	363 day period to 31 December 2018 £	15 month period to 31 December 2017 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	241,431	70,446

5 Interest payable and similar charges

	363 day period to 31 December 2018 £	12 month period to 31 December 2017 £
Bank interest and similar charges	163,112	8,849
	<u>163,112</u>	<u>8,849</u>

Flat Cap Hotels Limited

Notes forming part of the financial statements
for the 363 day period ended 29 December 2018

6 Taxation on profit on ordinary activities

	363 day period to 31 December 2018	12 month period to 31 December 2017
	£	£
(Loss)/Profit on ordinary activities before tax	(797,723)	8,400
Prima facie tax credit / (expense) on (Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	151,567	(1,617)
Adjusted for the Effects of:		
Fixed asset differences - depreciation	(45,872)	-
Income not taxable for tax purposes (losses)/gains	(161,625)	(115,328)
Deferred tax not recognised	(105,695)	-
Prior year losses & capital allowances utilised	-	1,617
Total tax charge for the year	(161,625)	(115,328)
Tax charge for the period attributable to deferred tax	(161,625)	(115,328)
Total tax charge on ordinary activities for the period	-	-

7 Directors remuneration

Director's remuneration during the year was £nil (2017: nil).

There were no directors in the group's pension scheme.

Flat Cap Hotels Limited

Notes forming part of the financial statements
for the 363 day period ended 29 December 2018

8. Tangible Fixed Assets

	Land & Buildings	Plant & Machinery	Total
	£	£	£
<i>Cost or valuation</i>			
At 1 January 2018	-	1,116,551	1,116,551
Prior year adjustment	-	6,968	6,968
Additions	233,401	673,615	3,007,630
Revaluation	965,985	(179,119)	786,866
At 31 December 2018	3,300,000	1,618,015	4,918,015
<i>Depreciation</i>			
At 1 January 2018	-	(2,214)	(2,214)
Provision for year	-	(241,431)	(241,431)
Prior year adjustment	-	8,978	8,978
At 31 December 2018	-	(234,667)	(234,667)
<i>Net book value</i>			
At 31 December 2018	3,300,000	1,383,348	4,683,348
At 31 December 2017	-	1,114,337	1,114,337

Land & buildings are stated at directors' valuation.

The company's freehold land and buildings have been revalued in accordance with company's valuation policy. The directors, being aware of a valuation dated 21 November 2018, prepared at the request of the company's bankers, considered that this valuation, although not addressed to the company, accurately reflects the value of the asset. Accordingly, the directors adopted this valuation at the balance date. The directors understand that this valuation was prepared in accordance with the Royal Institute of Chartered Surveyors (RICS) – Valuation Global Standards 2017 (the RICS 'Red Book' 2017).

If the plant and machinery had not been revalued they would have been included at the following historical cost:

	2018	2017
	£	£
Cost	763,271	542,200

Flat Cap Hotels Limited

Notes forming part of the financial statements
for the 363 day period ended 29 December 2018

9 Intangible Assets

	2018 £	2017 £
Goodwill	52,828	
Cost or valuation		
At 1 January 2018		
Additions	58,698	
Amortisation	(5,870)	
At 31 December 2018	52,828	

10 Fixed Asset Investments

Company	Country	Percentage shareholding	Net assets £	Profit for the year £
Vicarage Freehold & Rooms Limited	UK	100%	126,457	114,587
The Courthouse Cheshire Limited	UK	100%	45,625	114,871
The Bridge Cheshire Limited	UK	100%	156,909	156,809

11 Debtors

	2018 £	2017 £
Trade debtors	75,173	37,858
Other taxation	62,446	
Amount due from group undertakings	166,313	
	303,932	37,858

12 Creditors: amounts falling due within one year

	2018 £	2017 £
Taxation and social security	43,723	
Other creditors and accruals	57,795	300,551
Amount due to group undertakings	1,129,501	234,807
	1,231,019	535,358

Flat Cap Hotels Limited

Notes forming part of the financial statements
for the 363 day period ended 29 December 2018

13 Creditors amounts falling due beyond one year

	2018	2017
	£	£
Bank term loan	2,008,346	-
Capitalised finance costs	(20,178)	-
Unsecured related party loans	1,215,287	-
	<u>3,203,455</u>	<u>-</u>

The bank term loan is secured by a fixed and floating charge debenture over the company's property and other assets in favour of Sancus (Jersey) Limited and is wholly repayable on 5 October 2020.

14 Deferred Tax

	2018	2017
	£	£
At the beginning of the period	115,328	-
Deferred tax charge to the profit and loss account for the period	127,592	115,328
	<u>242,920</u>	<u>115,328</u>
At 31 December 2018	242,920	115,328

The provision for deferred tax is made up as follows:

	2018	2017
	£	£
Revaluation of tangible fixed assets	242,920	115,328
Adjustments in respect of prior periods	-	-
	<u>242,920</u>	<u>115,328</u>

Flat Cap Hotels Limited

Notes forming part of the financial statements
for the 363 day period ended 29 December 2018

15 Share capital

	2018	2017
	£	£
Authorised share capital		
150 ordinary shares of £1 each	150	1
Issued share capital		
150 ordinary shares of £1 each	150	1

Rights attaching to shares

Ordinary shareholders have the right to receive notice of and vote at the Annual General Meeting of the company, participate in dividends and any capital repayment or winding up of the company.

16 Contingent liabilities

The company has guaranteed bank borrowings from Sancus (Jersey) Limited. At the balance date the liabilities covered by these guarantees totalled £2,008,346.

17 Ultimate parent undertaking

There is no immediate parent undertaking of the company and there is no ultimate controlling entity.

18 Related party disclosures

The company has taken exemption under Section 33.7A of FRS 102 not to disclose transactions with other wholly owned group undertakings on the grounds that 100% of the voting rights in the company are controlled within that group.

19 Post balance sheet events

There are no material post balance sheet events.