SIGNATURE LIVING ARTHOUSE SQUARE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Company Registration No. 09908164 (England and Wales)

SIGNATURE LIVING ARTHOUSE SQUARE LIMITED

CONTENTS

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BALANCE SHEET

AS AT 31 MARCH 2018

		2018		2017 as restated	
	Notes	**£**	**£**	**£**	**£**
Fixed assets					
Investment properties	**4**		1,761,188		2,108,535
Investments	**5**		1		1
			1,761,189		2,108,536
Current assets					
Debtors	**6**	2,003,702		2,277,888	
Cash at bank and in hand		307		121,489	
		2,004,009		2,399,377	
Creditors: amounts falling due within one year	**7**	(3,783,796)		(3,806,236)	
Net current liabilities			(1,779,787)		(1,406,859)
Total assets less current liabilities			(18,598)		701,677
Capital and reserves					
Called up share capital	**8**		1		1
Non-distributable profits reserve			611,950		1,010,000
Profit and loss reserves			(630,549)		(308,324)
Total equity			(18,598)		701,677

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 26 June 2019 and are signed on its behalf by:

Mr L Kenwright
Director

Company Registration No. 09908164

1 Accounting policies

Company information
Signature Living Arthouse Square Limited is a private company limited by shares incorporated in England and Wales. The registered office is Cavern Court, 1st Floor, 8 Mathew Street, Liverpool, L2 6RE.

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 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary a mounts 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.

1.2 Going concern

As at 31 March 2018 the company has net current liabilities of £1,779,787 and net liabilities of £18,598. Included within liabilities due within one year is an amount of £1,501,928 owed to the company's parent company, Signature Living Hotel Limited. The directors of the parent company have undertaken, via a written confirmation, not to demand payment of this amount until such time that all third party creditors have been satisfactorily settled. Taking this into account the directors consider it appropriate to prepare these financial statements on a going concern basis.

Also included in current liabilities is a loan balance of £825,825 which has been taken out on a short term basis. This loan is due to expire in June 2019 Management is currently in negotiations with alternative providers of finance which may enable this debt to be restructured and hence amortised over a longer period of time which would improve the balance sheet liquidity position of the company. On this basis the directors consider that preparation of these accounts on a going concern basis is appropriate.

1.3 Revenue recognition - disposal of investment property

Historically the company recognised revenue (and associated costs) on disposal of investment property at the point of legal exchange. In the current year this policy has been changed to recognise profit at the point of transaction completion. The directors consider that this change in accounting policy is appropriate given the usual sale to build completion timetable and is also more in line with industry norms. The change in accounting policy has led to a restatement of the prior year financial statements which is detailed further in note 12.

1.4 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 Accounting policies **(Continued)**

1.5 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

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

1.6 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, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial instruments

The company 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 company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

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 company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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.

1.8 Taxation

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

1 Accounting policies (Continued)

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 company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

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 when the company has 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.

2 Exceptional costs

	2018	2017
	£	£
Profit/(loss) on disposal of property	73,843	(26,449)

3 Auditor's remuneration

	2018	2017
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the company	1,500	1,500

4 Investment property

	2018
	£
Fair value	
At 1 April 2017	2,108,535
Additions	1,051,895
Disposals	(1,001,192)
Revaluations	(398,050)
At 31 March 2018	1,761,188

4 Investment property (Continued)

Investment property with a carrying amount of £1,761,188 was revalued in October 2017 to £2,450,000 by Keppie Massie, independent valuers not connected with the company on the basis of market value. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties. The directors have considered the value at 31 March 2018 and are happy that the value has not changed. Subsequent to the valuation taking place additional work has been undertaken on the property which has resulted in an increase to the carrying amount of the property.

5 Fixed asset investments

	2018	2017
	£	£
Investments	1	1

Movements in fixed asset investments

	Shares in group undertakings
	£
Cost or valuation	
At 1 April 2017 & 31 March 2018	1
Carrying amount	
At 31 March 2018	1
At 31 March 2017	1

6 Debtors

	2018	2017
Amounts falling due within one year:	£	£
Amounts owed by group undertakings	911,475	885,669
Other debtors	1,092,227	1,392,219
	2,003,702	2,277,888

Amounts owed by group undertakings are interest free, have no fixed date of repayment and are repayable upon demand.

7 Creditors: amounts falling due within one year

	2018	2017
	£	£
Bank loans and overdrafts	825,825	-
Trade creditors	-	1,208,765
Amounts owed to group undertakings	1,691,104	2,415,625
Other creditors	1,266,867	181,846
	3,783,796	3,806,236

Included within bank loans and overdrafts is a bank loan of £825,825 (2017: £nil) secured by way of a first charge over the company's freehold land and buildings and a floating charge debenture over the company's underlying assets. Interest is charged on this loan at 1.15% per month. The loan was due to mature in May 2018 but has subsequently been extended with the same provider to June 2019. Interest is being charged at the same rate.

8 Called up share capital

	2018	2017
	£	£
Ordinary share capital		
Issued and fully paid		
1 Ordinary shares of £1 each	1	1
	1	1

9 Audit report information

As the income statement has been omitted from the filing copy of the financial statements the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

Emphasis of matter

The Company has net current liabilities at the end of the financial year which is associated with amounts owed to the parent company/ a fellow group undertaking and other short term debt. Whilst the group as a whole has significant net worth largely driven by the carrying value of its property portfolio its financing arrangements remain almost entirely short term in nature and therefore require re-financing on an annual basis. We note that the directors have a strong historical track record of securing replacement finance as and when required but also highlight that the current climate of financial uncertainty created by Brexit and other macro economic factors related matters may render future re-financing activity more challenging or, at the very least, more expensive.

We therefore draw attention to note 1 and note 9. Our opinion is not modified in respect of this matter.

The senior statutory auditor was Iain White BSc FCA.
The auditor was DSG.

10 Events after the reporting date

The property held by the company was initially bought/developed (either in whole or in part) via the crowdfunded, fractional sales model. Subsequent to the year end, the directors have taken the decision to exercise their right to re-acquire those long lease assets from individual investors which will crystallise a maximum liability of £3.7 million upon the company between July and December 2019. This is an approach consistent with other property operations in the group where investors have had their initial capital successfully returned. The directors are in advanced negotiations with several Pan European funders (the "Funders") to provide the funding to execute this transaction and investors have been notified of the company's intention to return their capital, with associated rentals being suspended until such funds are returned to allow lawyers to sort out completion statements and apportionments accordingly. The directors are certain that the more favorable financial terms offered by the Funders will place the c ompany on a further enhanced financial footing, improving both liquidity and reducing ongoing financing charges.

11 Related party transactions

Included within other debtors is £669,522 (2017: £1,230,122) due from a company with common directors.

Included within other creditors is £1,018,088 (2017: £nil) due to a company with common directors.

12 Parent company

The parent company is Signature Living Hotel Limited, a company incorporated in Great Britain and registered in England and Wales. The registered office is Cavern Court 1st Floor, 8 Mathew Street, Liverpool, L2 6RE. Signature Living Hotel Limited prepares consolidated financial statements which includes Signature Living Arthouse Square Limited.

The smallest and largest group into which the results of this entity are consolidated is that headed by Signature Living Hotel Limited.

Signature Living Hotel Limited is controlled by Mr L Kenwright.

13 Prior period adjustment

Profit and loss reserves as at 31 March 2017 have been restated downwards by £453,741 to correct changes in the accounting policy used for revenue recognition by the company.

The change in the accounting policy impacts on the following items:

Reconciliation of changes in equity

	31 March 2017
	£
Equity as previously reported	983,718
Adjustments to prior year	
Fixed assets	(92,300)
Debtors	(176,251)
Creditors	(13,490)
Equity as restated	701,677

13 Prior period adjustment **(Continued)**

Reconciliation of changes in (loss)/profit for the previous financial period

	2017
	£
Loss as previously reported	(26,283)
Adjustments to prior year	
Recognition of diposal of units	(282,041)
Fair value gain on investment property	1,010,000
Profit as restated	701,676

Notes to reconciliation

Recognition of disposal of units
Historically the company recognised revenue (and associated costs) on disposal of its investment property at the point of legal exchange. In the current year this policy has been changed to recognise profit at the point of transaction completion. The directors consider that this change in accounting policy is appropriate given the usual sale to build completion timetable and is also more in line with industry norms.

For 31 March 2017, the prior year adjustments have reduced the loss after tax for the financial year from £26,283 as previously stated to a profit after tax of £701,676. Fixed assets have reduced from £2,200,835 as previously stated to £2,108,535. Debtors have reduced from £2,454,139 as previously stated to £2,277,888. Creditors due within one year have increased from £3,792,747 as previously stated to £3,806,236.