

# **Britannia Hospitality Limited**

Report and Financial Statements

Year Ended

31 December 2016

Company Number 06766834

# **Britannia Hospitality Limited**

## **Report and financial statements for the year ended 31 December 2016**

---

### **Contents**

#### **Page:**

1	Strategic report
3	Report of the directors
5	Independent auditor's report
7	Consolidated statement of comprehensive income
8	Consolidated balance sheet
9	Consolidated statement of changes in equity
10	Consolidated statement of cash flows
11	Company balance sheet
12	Company statement of changes in equity
13	Notes forming part of the financial statements

---

### **Directors**

M H Bakr  
M Armitstead

### **Registered office**

16 – 18 St James's Place, London, SW1A 1NJ

### **Company number**

06766834

### **Auditors**

BDO LLP, 55 Baker Street, London, W1U 7EU

# Britannia Hospitality Limited

## Strategic report for the year ended 31 December 2016

---

### Principal activities and future developments

The principal activity of the company is that of a holding company. The principal activity of the group is that of luxury hoteliers. The group will continue to own The Stafford Hotel.

### Results and dividends

The statement of comprehensive income is set out on page 7 and shows the loss for the year of £1,023,000 (2015 - loss £1,796,000). Based on the losses generated the recommendation is for no dividend payment to be made (2015 - £ Nil).

### Financial review

Turnover, occupancy and average room rate all increased in 2016 compared with 2015, as detailed below. EBITDA was £3.2m (2015 - £2.1m).

The Stafford Hotel continues to be managed by its existing 'in-house' operations team and is a stand-alone independent hotel affiliated on a short term agreement with Preferred Hotels Group for Global sales distribution purposes.

### Key performance indicators

	2016	2015
Turnover from continuing operations (£m)	13.0	11.6
Hotel occupancy	70.8%	67.5%
Average Room Rate (£)	338	311
RevPAR (Revenue per available room) (£)	240	210

### Principal risks and uncertainties

This section describes some of the risks that could affect the group's business activities. Not all potential risks are listed but those that, in the opinion of the board, could have a material effect on revenues, profits, net assets and financial resources.

#### *Events that adversely impact domestic or international travel*

The ability to sustain given levels of occupancy and room rates can be adversely affected by events that reduce domestic or international travel. Such events may include acts of terrorism, epidemics, natural disasters, increased cost of travel and industrial action. The group has in place contingency and recovery plans to enable it to respond to major incidents.

#### *Key personnel*

Implementation of the group's strategy depends on its ability to attract, develop and retain employees with the appropriate skills, experience and aptitude. Implementation and development of a company induction scheme as well as ongoing training and development combined with attractive compensation, benefit and incentive schemes all help to minimise this risk.

#### *Information technology systems and infrastructure*

The group invests in systems that are appropriate to the business so as to maximise client relationship management, provide effective communication internally and externally and provide comprehensive reporting capability with suitable levels of security and data protection. The monitoring and development of such systems are out-sourced to provide continuity and a cost-effective solution.

# Britannia Hospitality Limited

Strategic report  
for the year ended 31 December 2016 (*continued*)

---

## Financial risk management

The group's operations expose it to a variety of financial risks that include the effects of changes in price risk, treasury risk, credit risk, liquidity and cash flow risk.

### *Price risk- The hotel industry supply and demand cycle*

The hotel industry operates in an inherently cyclical market place. A weakening in demand or an increase in market supply may lead to downward pressure on room rates and/or occupancies. The group has systems in place that are designed to minimise the impact of such fluctuations as far as possible to optimise operating profits.

### *Treasury risk*

In view of the group's exposure to upward fluctuations in interest rates, hedging instruments are used to minimise the potential impact on profitability.

### *Credit risk - The ability to borrow and satisfy debt covenants*

The group utilises facilities provided by its bankers to fund its operational and refurbishment programmes. The provision of such funds is dependent upon their availability in the market place and the perception of the group's ability to service such facilities. The facilities available are subject to debt covenants. These are reviewed regularly by management to ensure compliance throughout the year. The directors are confident that the group will continue to be able to secure these funds when required.

### *Liquidity and cash flow risk*

The group manages liquidity risk by maintaining adequate reserves and by monitoring forecast and actual cash flows. The group's loan facility ensures continuity of funding.

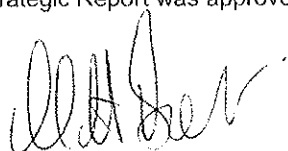
## Financial instruments

The group finances its assets and operations using retained earnings, group loans and bank borrowings. The group is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures.

The group's financial risk management objective is to hedge its exposure to currency and interest rate risks through appropriate derivative instruments with the group's Bankers.

## Approval

This Strategic Report was approved by order of the Board on 29 June 2017.



M H Bakr  
Director

# Britannia Hospitality Limited

## Report of the directors for the year ended 31 December 2016

---

The directors present their report together with the audited financial statements for the year ended 31 December 2016.

### Principal activities and future developments

The principal activity of the group in the year under review, which has remained unchanged during the financial year, was that of luxury hoteliers.

The group will continue to own and manage the hotel.

### Matters covered in the strategic report

As permitted by paragraph 1A of schedule 7 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008, certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the Strategic Report on page 1.

### Directors

The directors of the company throughout the year were:

M H Bakr  
M Armitstead

The company has put in place qualifying third party indemnity provisions for all of the directors of Britannia Hospitality Limited.

### 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 prepared 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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable him 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.

# Britannia Hospitality Limited

## Report of the directors for the year ended 31 December 2016 (*continued*)

---

### Disclosure of information to auditor

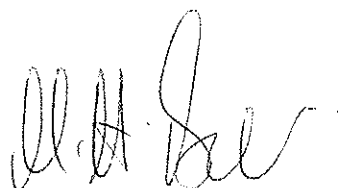
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

### Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



**M H Bakr**  
Director

29 June 2017

# Britannia Hospitality Limited

## Independent auditor's report

---

### TO THE MEMBERS OF BRITANNIA HOSPITALITY LIMITED

We have audited the financial statements of Britannia Hospitality Limited for the year ended 31 December 2016 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the company balance sheet, the company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

#### Respective responsibilities of directors and auditors

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### Opinion

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 2016 and of Group's loss 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.

#### Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

# Britannia Hospitality Limited

## Independent auditor's report (*continued*)

---

### Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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.

BDO LLP

**Stuart Collins** (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom

29 June 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



# Britannia Hospitality Limited

## Consolidated statement of comprehensive income for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000 (restated)
Turnover	3	13,004	11,559
Cost of sales		(9,755)	(9,341)
<b>Gross profit</b>		<b>3,249</b>	<b>2,218</b>
Administrative expenses		(1,304)	(1,255)
<b>Group operating profit</b>	4	<b>1,945</b>	<b>963</b>
Interest receivable		3	-
Interest payable and similar charges	8	(3,761)	(3,478)
<b>Loss on ordinary activities before taxation</b>		<b>(1,813)</b>	<b>(2,515)</b>
Taxation on loss on ordinary activities	9	790	719
<b>Total comprehensive loss for the year</b>		<b>(1,023)</b>	<b>(1,796)</b>

The notes on pages 13 to 29 form part of these financial statements.

# Britannia Hospitality Limited

## Consolidated balance sheet at 31 December 2016

<i>Company number 06766834</i>	<i>Note</i>	<b>2016 £'000</b>	<b>2016 £'000</b>	<b>2015 £'000 (restated)</b>	<b>2015 £'000 (restated)</b>
<b>Fixed assets</b>					
Intangible assets	11		951		1,025
Tangible assets	12		87,815		88,424
			88,766		89,449
<b>Current assets</b>					
Stocks	14	164		166	
Debtors	15	1,361		1,456	
Cash at bank and in hand	16	1,317		1,025	
		2,842		2,647	
<b>Creditors: amounts falling due within one year</b>	17	(6,091)		(5,085)	
<b>Net current liabilities</b>			(3,249)		(2,438)
<b>Total assets less current liabilities</b>			85,517		87,011
<b>Creditors: amounts falling due after more than one year</b>	18		(92,822)		(92,360)
<b>Provisions for liabilities</b>					
Deferred taxation	22		(2,794)		(3,727)
<b>Net liabilities</b>			(10,099)		(9,076)
<b>Capital and reserves</b>					
Called up share capital	23		-		-
Revaluation reserve			8,439		8,439
Profit and loss account			(18,538)		(17,515)
			(10,099)		(9,076)

The financial statements were approved by the Board of Directors and authorised for issue on 29 June 2017.

  
**M H Bakr**  
Director

The notes on pages 13 to 29 form part of these financial statements.

## Britannia Hospitality Limited

### Consolidated statement of changes in equity for the year ended 31 December 2016

---

	Share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2015		8,439	(15,719)	(7,280)
Loss for the year	-	-	(2,515)	(2,515)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015 (Previously stated)	-	8,439	(18,234)	(9,795)
Prior year adjustment – see note 22	-	-	719	719
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015 (As restated)	-	8,439	(17,515)	(9,076)
Loss for the year	-	-	(1,023)	(1,023)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	-	8,439	(18,538)	(10,099)
	<hr/>	<hr/>	<hr/>	<hr/>

The notes on pages 13 to 29 form part of these financial statements.

# Britannia Hospitality Limited

## Consolidated statement of cash flows for the year ended 31 December 2016

	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>		
Loss on ordinary activities before taxation	(1,813)	(2,515)
Adjustments for:		
Depreciation of tangible fixed assets	1,151	1,106
Amortisation of intangible fixed assets	74	73
Net interest payable	3,761	3,478
(Increase)/decrease in trade and other debtors	(316)	223
Decrease in stocks	2	48
Increase/(decrease) in trade and other creditors	375	(436)
	<hr/>	<hr/>
<b>Cash from operations</b>	3,234	1,977
Interest paid	(1,969)	(1,342)
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	1,265	635
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(542)	(244)
Interest received	3	-
	<hr/>	<hr/>
<b>Net cash outflow from investing activities</b>	(539)	(244)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
New bank loans	80	714
Bank loans repaid	(920)	(1,150)
Group loans received	406	-
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	(434)	(436)
	<hr/>	<hr/>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	292	(45)
Cash and cash equivalents at beginning of year	1,025	1,070
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	1,317	1,025
	<hr/>	<hr/>

The notes on pages 13 to 29 form part of these financial statements.

# Britannia Hospitality Limited

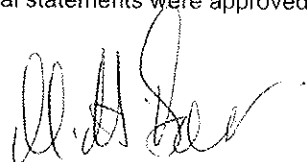
## Company balance sheet at 31 December 2016

<i>Company number 06766834</i>	<i>Note</i>	<b>2016 £'000</b>	<b>2016 £'000</b>	<b>2015 £'000</b>	<b>2015 £'000</b>
<b>Fixed assets</b>					
Investments	13		36,930		36,930
<b>Current assets</b>					
Cash at bank and in hand	16	507		504	
		<u>507</u>		<u>504</u>	
<b>Creditors: amounts falling due within one year</b>	17	(2,028)		(1,064)	
<b>Net current liabilities</b>			(1,521)		(560)
<b>Total assets less current liabilities</b>			<u>35,409</u>		<u>36,730</u>
<b>Creditors: amounts falling due after more than one year</b>	18		(54,241)		(52,978)
<b>Net liabilities</b>			<u>(18,832)</u>		<u>(16,608)</u>
<b>Capital and reserves</b>					
Called up share capital	23		-		-
Profit and loss account			(18,832)		(16,608)
<b>Shareholders' deficit</b>			<u>(18,832)</u>		<u>(16,608)</u>

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss after tax of the parent company was £2,224,000 (2015 – loss £2,307,000).

The financial statements were approved by the Board of Directors and authorised for issue on 29 June 2017.

M H Bakr  
Director



The notes on pages 13 to 29 form part of these financial statements.

## Britannia Hospitality Limited

### Company statement of changes in equity for the year ended 31 December 2016

---

	Share capital £'000	Profit and loss account £'000	Total equity £'000
<b>At 1 January 2015</b>	-	(14,301)	(14,301)
Loss for the year	-	(2,307)	(2,307)
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2015</b>	-	(16,608)	(16,608)
Loss for the year	-	(2,224)	(2,224)
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2016</b>	-	(18,832)	(18,832)
	<hr/>	<hr/>	<hr/>

The notes on pages 13 to 29 form part of these financial statements.

# Britannia Hospitality Limited

## Notes forming part of the financial statements for the year ended 31 December 2016

### 1 Accounting policies

Britannia Hospitality Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and principal activity are set out in the strategic report.

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and with the Companies Act 2006. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies. The comparatives have been restated to correct a material overstatement of deferred tax provision (see note 17).

#### *Parent company disclosure exemptions*

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

#### *Going concern*

Based on future trading projections the directors are satisfied that for a period of at least 12 months from the date of approval of these financial statements, the group and company can meet all liabilities as they fall due. The financial statements have therefore been drawn up on a going concern basis.

The following principal accounting policies have been applied:

#### *Basis of consolidation*

The financial statements consolidate the results of Britannia Hospitality Limited and its subsidiary undertaking ('subsidiary') as if they formed a single entity ('the Group'). Intercompany transactions and balances between group companies are therefore eliminated in full.

#### *Turnover*

Turnover represents amounts receivable for accommodation, food and beverage sales and ancillary hotel services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover is recognised at the point at which goods and services are delivered to the customer. Deposits which have been received at the balance sheet date for which services have not yet been provided are shown as payments in advance within creditors.

#### *Tangible fixed assets*

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group 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 group. 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.

# Britannia Hospitality Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

### 1 Accounting policies (*continued*)

#### *Depreciation*

Freehold land is not depreciated. Freehold buildings are not depreciated as it is considered that residual value is not materially below the book value, and this is supported by periodic impairment reviews or valuations. Depreciation on other assets 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:

Motor vehicles	-	5 years
Fixtures and fittings	-	3 to 16 years
Work in progress	-	not depreciated

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

Freehold property comprises a property revalued previously by external valuers every five years and the valuation has been reflected in the financial statements as at 31 December 2013 and is treated as deemed cost in accordance with the transitional rules of FRS102. The surplus on book value has been transferred to the revaluation reserve. Freehold building is not depreciated as the residual value of the asset is expected to be at least the book amount.

#### *Valuation of investments*

Investment in shares in the subsidiary undertaking, which have been classified as fixed asset investments as the Group intends to hold them on a continuing basis, is measured at cost less accumulated impairment. Any such impairment is taken to the Profit and Loss Account in the period.

#### *Hedge accounting*

The group has entered into derivative financial instruments to manage its exposure to interest rate cash flow risk on its variable rate debt, such hedging being mandated in the terms of the external loan agreement. These derivatives are measured at fair value at each reporting date and movements in fair value are recognised in other comprehensive income. Hedge accounting is not applicable.

#### *Impairment of fixed assets and goodwill*

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.



# Britannia Hospitality Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

---

### 1 Accounting policies (*continued*)

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

#### *Debtors*

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

#### *Cash and cash equivalents*

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

#### *Financial instruments*

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate caps and swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re measured at their fair value. Changes in the fair value of derivatives are recognised in the income statement in finance costs or income as appropriate.

# Britannia Hospitality Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

---

### 1 Accounting policies (*continued*)

#### *Creditors*

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

#### *Foreign currency translation*

##### *(a) Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using 'sterling', the currency of the primary economic environment in which the entity operates ('the functional currency').

##### *(b) Transactions and balances*

Foreign currency transactions are translated into the group entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

#### *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.

#### *Finance costs*

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### *Dividends*

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

# Britannia Hospitality Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

---

## 1 Accounting policies (*continued*)

### *Intangible assets*

#### *Goodwill*

Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of the subsidiary undertaking is included in 'intangible assets'. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life of 20 years.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

#### *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.

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 group 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.

#### *Leased assets*

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term. There are no finance leases.

#### *Pensions*

The group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the group to the fund in respect of the year.

# Britannia Hospitality Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 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 group as 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 group'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.

*Other key sources of estimation uncertainty*

- *Tangible fixed assets (see note 12)*

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 such as technological innovation, product life cycles and maintenance programmes. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

## 3 Turnover

The whole of the turnover is attributable to one principal activity of the group, being that of the operation of a hotel in London.

All turnover arose within the United Kingdom.

## 4 Operating profit

	2016 £'000	2015 £'000
This has been arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	1,151	1,106
Amortisation of intangible fixed assets	74	73
Fees payable to the company's auditor - audit	32	34

# **Britannia Hospitality Limited**

Notes forming part of the financial statements  
for the year ended 31 December 2016 *(continued)*

## **5 Employees**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs (including directors) consist of:		
Wages and salaries	<b>3,365</b>	3,038
Social security costs	<b>298</b>	259
Cost of defined contribution pension scheme	<b>83</b>	91
	<hr/>	<hr/>
	<b>3,746</b>	3,388
	<hr/>	<hr/>

The average number of employees (including directors) during the year was as follows:

	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>Number</b>
Administrative and hotel staff	<b>115</b>	106
Management staff	<b>23</b>	23
	<hr/>	<hr/>
	<b>138</b>	129
	<hr/>	<hr/>

A defined contribution pension scheme is operated by the group on behalf of the employees of the subsidiary undertaking. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge represents contributions payable by the group to the fund and amounted to £83,000 (2015 - £91,000).

All staff costs arise in the subsidiary company except £64,000 of directors remuneration (2015 - £66,000).

## **6 Directors' remuneration**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Directors' emoluments	<b>314</b>	238
	<hr/>	<hr/>

Emoluments of the highest paid director were £174,000 (2015 - £129,510). There were no directors in the group's defined contribution pension scheme (2015 - Nil).

# **Britannia Hospitality Limited**

Notes forming part of the financial statements  
for the year ended 31 December 2016 *(continued)*

**7 Income from investments**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Income from subsidiary undertaking (management fees)	<b>100</b>	100
	<hr/>	<hr/>

**8 Interest payable and similar charges**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Bank loan interest	<b>1,299</b>	1,342
Amortisation of debt issue costs	<b>119</b>	119
Amortisation of other prepaid finance costs	<b>360</b>	-
Interest on loan notes	<b>1,933</b>	1,966
Fair value movements	<b>50</b>	51
	<hr/>	<hr/>
	<b>3,761</b>	3,478
	<hr/>	<hr/>

# **Britannia Hospitality Limited**

Notes forming part of the financial statements  
for the year ended 31 December 2016 *(continued)*

## **9 Taxation on loss on ordinary activities**

	2016 £'000	2015 £'000
<i>UK corporation tax</i>		
Total current tax	143	-
Adjustment re prior periods	2	-
	<hr/>	<hr/>
	145	-
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(736)	(344)
Effect of rate changes	(199)	(375)
	<hr/>	<hr/>
Total deferred tax (see note 22)	(935)	(719)
	<hr/>	<hr/>
Taxation on loss on ordinary activities	(790)	(719)
	<hr/>	<hr/>

The tax assessed for the year is lower than the standard rate of corporation tax in the UK applied to loss before tax. The differences are explained below:

	2016 £'000	2015 £'000
Loss on ordinary activities before tax	(1,813)	(2,515)
	<hr/>	<hr/>
Profit/ (loss) on ordinary activities at the standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	(363)	(509)
Effects of:		
Expenses not deductible for tax purposes	257	184
Fixed assets differences	78	4
Deferred tax not recognised	162	-
Short term timing difference leading to an increase in taxation	-	321
Indexation relief	(681)	(344)
Effect of rate changes	(243)	(375)
	<hr/>	<hr/>
Total tax for period	(790)	(719)
	<hr/>	<hr/>

For further information on deferred tax balances see note 22.

# Britannia Hospitality Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 10 Parent company loss for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss after tax of the parent company was £2,224,000 (2015 - loss £2,307,000).

## 11 Intangible assets

	Goodwill on consolidation £'000
<b>Group</b>	
<i>Cost</i>	
At 1 January 2016 and 31 December 2016	1,479
<i>Accumulated amortisation</i>	
At 1 January 2016	454
Provision for the year	74
At 31 December 2016	528
<i>Net book value</i>	
At 31 December 2016	951
At 31 December 2015	1,025



# **Britannia Hospitality Limited**

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## **12 Tangible assets**

<b>Group</b>	<b>Land and buildings £'000</b>	<b>Motor vehicles £'000</b>	<b>Fixtures and fittings £'000</b>	<b>Work in progress £'000</b>	<b>Total £'000</b>
<i>Cost or valuation</i>					
At 1 January 2016	82,965	20	11,970	406	95,361
Additions	-	-	487	55	542
Transfers	-	-	189	(189)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	<b>82,965</b>	<b>20</b>	<b>12,646</b>	<b>272</b>	<b>95,903</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>					
At 1 January 2016	-	16	6,921	-	6,937
Provision for year	-	4	1,147	-	1,151
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	<b>-</b>	<b>20</b>	<b>8,068</b>	<b>-</b>	<b>8,088</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 31 December 2016	<b>82,965</b>	<b>-</b>	<b>4,578</b>	<b>272</b>	<b>87,815</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	82,965	4	5,049	406	88,424
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of land and buildings may be further analysed as follows:

	<b>Group 2016 £'000</b>	<b>Group 2015 £'000</b>	<b>Company 2016 £'000</b>	<b>Company 2015 £'000</b>
Freehold	<b>82,965</b>	82,965	<b>Nil</b>	Nil
	<hr/>	<hr/>	<hr/>	<hr/>

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	<b>2016 £'000</b>	<b>2015 £'000</b>
Cost	<b>36,620</b>	36,620
Accumulated depreciation	<b>-</b>	-
	<hr/>	<hr/>
Net book value	<b>36,620</b>	36,620
	<hr/>	<hr/>

The Stafford Hotel was valued at 8 April 2013 by Cushman & Wakefield, an external firm of consultant surveyors and valuers, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on an existing use basis as a fully equipped operational entity. The valuation has been reflected in the financial statements as at 1 January 2014 and is treated as deemed cost in accordance with the transitional provisions of FRS102.

# **Britannia Hospitality Limited**

Notes forming part of the financial statements  
for the year ended 31 December 2016 *(continued)*

## **13 Fixed asset investments**

Company	Investments in subsidiary company £'000
<i>Cost</i>	
At 1 January 2016 and 31 December 2016	<b>36,930</b>
<i>Net book value</i>	
At 31 December 2016	<b>36,930</b>
At 31 December 2015	<b>36,930</b>

The company's investments at the balance sheet date in the share capital of a company comprises:

Subsidiary company	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
The Stafford Hotel Limited	UK	100%	Operating of a hotel in London

The registered address of The Stafford Hotel Limited is the same as the company.

## **14 Stocks**

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Finished goods and goods for resale	<b>164</b>	166	-	-

The stocks consist of food and beverage, merchandise for sale, housekeeping and maintenance materials. The directors are of the opinion that the replacement cost of these stocks is not significantly different to their carrying value.

# **Britannia Hospitality Limited**

Notes forming part of the financial statements  
for the year ended 31 December 2016 *(continued)*

## **15 Debtors**

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
<i>Due within one year:</i>				
Trade debtors	761	442	-	-
Other debtors	67	-	-	-
Interest rate hedge derivative	71	121	-	-
Prepayments and accrued income	462	893	-	-
	<u>1,361</u>	<u>1,456</u>	<u>-</u>	<u>-</u>

## **16 Restricted cash balances**

At 31 December 2016, cash balances with the bank includes £Nil (2015 - £502,000) which is maintained in the interest shortfall account as required by the term loan and revolving facilities agreement.

## **17 Creditors: amounts falling due within one year**

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Bank loans (see note 19)	3,295	3,215	-	-
Trade creditors	858	724	-	-
Amounts owed to group undertakings	577	171	2,028	1,064
Corporation Tax	143	-	-	-
Taxation and social security	719	559	-	-
Other creditors	6	82	-	-
Accruals and deferred income	493	334	-	-
	<u>6,091</u>	<u>5,085</u>	<u>2,028</u>	<u>1,064</u>

## **18 Creditors: amounts falling due after more than one year**

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Bank loans (see note 19)	38,581	39,382	-	-
Loan notes to WARM Foundation	53,718	42,981	53,718	42,981
Interest payable on Loan Notes	23	9,497	23	9,497
Other creditors (see note 25)	500	500	500	500
	<u>92,822</u>	<u>92,360</u>	<u>54,241</u>	<u>52,978</u>

The loan notes (listed on the Channel Island Stock Exchange) are repayable on 31 December 2025. These notes bear interest at 4% plus LIBOR. The loan notes are all held by the ultimate parent undertaking. See note 19 for details of the bank loans.

# **Britannia Hospitality Limited**

**Notes forming part of the financial statements  
for the year ended 31 December 2016 (continued)**

## **19 Bank loans**

	<b>2016 £'000</b>	<b>2015 £'000</b>
Bank loans	<b>42,044</b>	<b>42,884</b>
<hr/>		
The maturity of sources of debt finance are as follows:		
	<b>2016 £'000</b>	<b>2015 £'000</b>
In one year or less, or on demand		
Bank loans	<b>3,414</b>	<b>3,334</b>
Less: loan issue costs	<b>(119)</b>	<b>(119)</b>
	<hr/>	<hr/>
Due within one year or on demand	<b>3,295</b>	<b>3,215</b>
	<hr/>	<hr/>
In more than one year but not more than two years		
Bank loans	<b>38,630</b>	<b>920</b>
Less: loan issue costs	<b>(49)</b>	<b>(119)</b>
	<hr/>	<hr/>
Due in more than one year but not more than two years	<b>38,581</b>	<b>801</b>
	<hr/>	<hr/>
In more than two years but not more than five years		
Bank loans	<b>-</b>	<b>38,630</b>
Less: loan issue costs	<b>-</b>	<b>(49)</b>
	<hr/>	<hr/>
Due in more than two years but not more than five years	<b>-</b>	<b>38,581</b>
	<hr/>	<hr/>

The bank loan is split into two facilities:

Facility A is £43,000,000 repayable over five years until June 2018 and interest is charged at a rate of 2.5% above 3 month GBP LIBOR. The loan principal is being repaid by quarterly instalments of £230,000. The outstanding balance at the end of the year was £39,550,000.

Facility B is £3,000,000 revolving credit facility of which £2,494,000 was utilised and interest is charged at a rate of 2.5% above 3 month GBP LIBOR. For the remaining balance of £506,000 is charged an arrangement fee of 1.25% above 3 month LIBOR.

There are four interest rate caps in place over £23,000,000 (2015 - £23,000,000) of the debt over the term of the loan. The fair value at the balance sheet date was an asset of £71,000 (2015 - £121,000).

The loans are secured over the assets of the subsidiary company by means of fixed and floating charges and are subject to a guarantee from the company.

# **Britannia Hospitality Limited**

Notes forming part of the financial statements  
for the year ended 31 December 2016 *(continued)*

## **20 Financial instruments**

The Group's and Company's financial instruments may be analysed as follows:

	Group 2016 £'000	Group 2015 £'000
<b>Financial assets</b>		
Financial assets measured at amortised cost	828	442
Derivative financial instruments	71	121
	<hr/>	<hr/>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	(98,219)	(97,173)
	<hr/>	<hr/>
	Company 2016 £'000	Company 2015 £'000
<b>Financial assets</b>		
Financial assets measured at amortised cost	-	-
	<hr/>	<hr/>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	(56,939)	(54,042)
	<hr/>	<hr/>

Financial assets measured at amortised cost comprise trade and other debtors.

Derivative financial instruments designated as hedges of variable interest rate risk comprise interest rate caps.

Financial liabilities measured at amortised cost comprise bank loans, loan notes, interest payable, trade and other creditors.

## **21 Pension commitments**

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £83,000 (2015 - £91,000). Contributions amounting to £19,000 (2015 - £14,000) were payable to the fund and are included in creditors.

# **Britannia Hospitality Limited**

**Notes forming part of the financial statements  
for the year ended 31 December 2016 (continued)**

## **22 Deferred taxation**

	<b>Group 2016 £'000</b>	<b>Group 2015 £'000 (restated)</b>	<b>Company 2016 £'000</b>	<b>Company 2015 £'000</b>
At 1 January	3,727	4,446	-	-
Charged to profit or loss	(935)	(719)	-	-
Other movement	2	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	2,794	3,727	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

### **Deferred tax liabilities - Group**

	<b>Accelerated capital allowances 2016 £'000</b>	<b>Property revaluations 2016 £'000</b>	<b>Total 2016 £'000</b>
Deferred tax liability	8	2,786	2,794
	<hr/>	<hr/>	<hr/>
	<b>Accelerated capital allowances 2015 £'000</b>	<b>Property revaluations 2015 £'000</b>	<b>Total 2015 £'000</b>
Deferred tax liability	164	3,563	3,727
	<hr/>	<hr/>	<hr/>

The company has approximately £647,000 (2015 - £647,000) of excess management expenses to set off against future management surpluses. Deferred tax asset on excess management expenses has not been provided as they are currently unlikely to be utilised. There are no unused tax losses or credits in the group.

### **Prior year adjustment – deferred tax liability on property revaluations**

The directors have reassessed the calculation of the potential tax liability that might arise on a future sale of the hotel property. This has resulted in a reduction of £719,000 to the deferred tax liability as at 31 December 2015 due to reconsideration of indexation allowances and future tax rates to be applied. These adjustments have reduced the tax charge for that year by £719,000. Net assets reported at 31 December 2015 have increased by £719,000 as a result of this adjustment.

# **Britannia Hospitality Limited**

Notes forming part of the financial statements  
for the year ended 31 December 2016 *(continued)*

## **23 Share capital**

	2016 Number	Allotted, called up and fully paid		2015
		2015 Number	2016 £	2015 £
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

## **24 Commitments under operating leases**

The group and the company had future minimum lease payments under non-cancellable operating leases as set out below:

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Not later than 1 year	37	37	27	27
Later than 1 year and not later than five years	<u>38</u>	<u>75</u>	<u>38</u>	<u>65</u>
	<u>75</u>	<u>112</u>	<u>65</u>	<u>92</u>

## **25 Related party disclosures**

The ultimate controlling party of the group is the WARM Foundation which is registered in Liechtenstein. The immediate parent company is Kameia Investments Limited which is registered in Cyprus.

At the year end the company had a loan of £476,000 owed to Fortress Group Holdings Inc, a subsidiary of the ultimate parent undertaking which is registered in the British Virgin Islands (2015 - £70,000).

An amount of £500,000 (2015 - £500,000) is due to the beneficiary of the WARM Foundation.

Directors' remuneration is set out in note 6.