

**International Group Limited**

**Directors' report and consolidated  
financial statements**

**Registered number 1330368**

**31 December 2017**

FRIDAY



\*L7WWU58J\*

LD6

11/01/2019

#65

COMPANIES HOUSE

## Contents

Directors and Officers	1
Strategic Report	2
Directors' Report	4
Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements	5
Independent auditor's report to the members of International Group Limited	6
Consolidated Profit and Loss Account and Other Comprehensive Income	8
Consolidated Balance Sheet	9
Company Balance Sheet	10
Consolidated Statement of Changes in Equity	11
Company Statement of Changes in Equity	11
Consolidated Cash Flow Statement	12
Notes	13

## **Directors and Officers**

### **Directors**

RM King (Chairman)  
HM King  
WM King  
CM King

### **Company Secretary**

HM King

### **Registered Office**

Stoke Park  
Park Road  
Stoke Poges  
Buckinghamshire  
SL2 4PG

### **Auditor**

KPMG LLP  
58 Clarendon Road  
Watford  
Hertfordshire  
WD17 1DE

## Strategic Report

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

### Review of the business

The Company holds investments in subsidiary and associated undertakings and provides management services to these undertakings. The principal activities of its subsidiary undertakings are project management, hospital construction and management, property construction, consultancy and management of a hotel and leisure facilities.

### Results, performance and key performance indicators

The Group's sales have decreased to £16,782,000 (2016: £17,456,000), with an increase in administrative expenses of £810,000 to £19,826,000 (2016: £19,016,000). The Group has reported a loss of £8,254,000 (2016: £6,531,000).

The directors are not, at the date of this report, aware of any likely major changes in the Group's activities in the forthcoming year. The Group structures its operations on a divisional basis with the Company providing support to these operating divisions. The Group results are split below, according to division.

The Group has loan and overdraft facilities of £69,568,000 (2016: £54,177,000).

#### *Leisure division*

The division's principal activities are operating and managing luxury country clubs and hotels in the UK. The division invests in developing properties appropriate to the nature and size of its operations with the aim of supporting its medium to long-term future. The division's sales were £15,318,000 (2016: £15,560,000). The profit before tax was £1,541,000 (2016: £1,415,000 inclusive of the unwind of discount through interest payable on intra-group debt; profit of £2,448,000 excluding the unwind of discount). Earnings before interest tax depreciation and amortisation (EBITDA) are £4,154,000 (2016: £5,025,000).

#### *Property division*

The division's principal activities are property investment and trading in the UK. The division's sales were £nil (2016: £nil) and loss before tax was £1,971,000 (2016: £2,270,000). EBITDA are a loss of £1,567,000 (2016: loss of £2,016,000).

#### *Healthcare and services division*

The division's principal activities are the construction and management of healthcare facilities together with related consultancy services world-wide. The division invests in research activities appropriate to the nature and size of its operations. The division's sales were £1,387,000 (2016: £1,833,000) and loss before tax was £4,518,000 (2016: £2,387,000). EBITDA are a loss of £4,110,000 (2016: loss of £2,662,000).

Following meetings in 2017 between representatives of the division's main operating company and the Government of Ghana, an agreement on the way forward to deliver, on a turnkey basis, a major hospital project in Accra, which included the amount owed to the Company and the basis for lifting the suspension of the works. It is expected that the suspension of the works will be lifted in 2019.

During 2018, the division's main operating company and the Government of Oman signed turnkey contracts to deliver three major new hospitals and associated infrastructure in the Sultanate of Oman. The total value of these projects exceeds £500m. Works on all three hospital projects commenced in 2018 under Limited Notices To Proceed to commence design and enabling works until the client financially closes the required loan funding.

## Strategic Report (continued)

### Other services division

The division's principal activities are the holding of patents and tooling equipment for closure technology and licensing these world-wide. The division invests in research and development activities appropriate to the nature and size of its operations with the aim of supporting development in the medium to long-term. This research and development activity has resulted in a number of updates to existing products. The division's sales were £77,000 (2016: £63,000) and loss before tax was £2,503,000 (2016: £3,206,000 inclusive of the unwind of discount through interest receivable on intra-group debt; £4,239,000 excluding the unwind of discount). EBITDA are a loss of £2,272,000 (2016: loss of £3,897,000).

### Strategy

The Group's success is dependent on the proper selection of investment opportunities in its subsidiary undertakings. The Group will concentrate its efforts on achieving maximum returns from its subsidiary undertakings in its existing market segment and will seek appropriate investment opportunities in new geographical locations to expand into.

### Principal risks and uncertainties

The principal risks of the Group are:

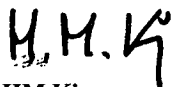
- Foreign exchange fluctuations and payment delays from its major customers. To manage these risks, the Group strives to ensure contract revenue and costs where possible are in the same currency and through its strong and close relationships with customers it minimises any payment delays.
- Competitive pressure which could result in it losing sales to its key competitors. To manage this risk, the Group strives to provide added-value services to its customers; prompt response times in the supply of products and services and in the handling of customer queries; and through the maintenance of strong relationships with customers.
- The Group undertakes research and development that it has control over and thereby can reasonably predict the commitments, however, research and development by its very nature is high risk capital with no certainty of returning a profit on the investment.
- The Group's businesses may also be affected by fluctuations in the price and supply of key services, although purchasing policies and practices seek to mitigate, where practicable, such risks.

### Future developments

The Group is developing a number of new projects some of which are in new geographical locations. The Group expects to secure at least one of these in the coming year.

The Group continues to invest in its property portfolio and is developing further value-added services to increase revenue and profit after tax.

By order of the board



**HM King**  
Director

Stoke Park, Park Road  
Stoke Poges, Bucks, SL2 4PG  
11 January 2019

## Directors' Report

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

### Proposed dividend

The directors do not recommend the payment of a dividend (2016: *£nil*).

### Directors

The directors who held office during the year were as follows:

RM King (Chairman)  
HM King  
WM King  
CM King

### Political and charitable contributions

The Group made donations of £1,000 (2016: *£39,000*) to UK charities and political donations of £8,000 (2016: *£16,000*) during the year.

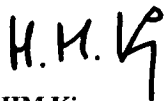
### Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, KPMG LLP will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



HM King  
Director

Stoke Park  
Park Road  
Stoke Poges  
Bucks  
SL2 4PG

11 January 2019

## **Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements**

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 they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



## KPMG LLP

58 Clarendon Road  
Watford  
Hertfordshire  
WD17 1DE  
United Kingdom

### Independent auditor's report to the members of International Group Limited

#### Opinion

We have audited the financial statements of International Group Limited ("the company") for the year ended 31 December 2017 which comprise the group and parent company balance sheet, group profit and loss account and other comprehensive income, group and parent company statement of changes in equity, group cash flow statement, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that given the impending cash flow requirements and outstanding liabilities, the group and parent company need to generate further funds in a timetable acceptable to the Group's lenders either by selling their assets, or other means including obtaining milestone payments on contracts signed during 2018 for which the contract employer is currently in the process of arranging the necessary project finance to enable the commencement of the main contract works. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## **Independent auditor's report to the members of International Group Limited *(continued)***

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

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

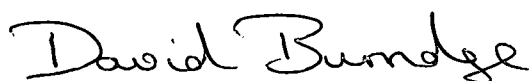
### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



11 January 2019

**David Burridge (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*

58 Clarendon Road  
Watford  
Hertfordshire  
WD17 1DE  
United Kingdom

## Consolidated Profit and Loss Account and Other Comprehensive Income for the year ended 31 December 2017

	Note	2017 £000	2016 £000
<b>Group turnover</b>	2	<b>16,782</b>	17,456
Cost of sales		<b>(3,334)</b>	(3,821)
<b>Gross profit</b>		<b>13,448</b>	13,635
Administrative expenses		<b>(19,826)</b>	(19,016)
<b>Group operating loss</b>		<b>(6,378)</b>	(5,381)
Share of loss in a joint venture		<b>(1,150)</b>	(2,161)
<b>Total operating loss</b>		<b>(7,528)</b>	(7,542)
(Loss)/profit on sale of fixed asset	4	(12)	13
(Loss)/gain on fair value of investment property	13	(291)	2,473
Other gains and losses	7	2,467	345
Interest receivable and similar income	8(a)	50	-
Interest payable and similar expenses	8(b)	(2,137)	(1,738)
<b>Loss before taxation</b>	4	<b>(7,451)</b>	(6,449)
Taxation expense	9	<b>(803)</b>	(82)
<b>Loss for the financial year</b>		<b>(8,254)</b>	(6,531)
<b>Other comprehensive income</b>			
Revaluation gain		-	5,821
Net exchange differences on the retranslation of net investments and related borrowings		79	(263)
<b>Other comprehensive income for the financial year, net of income tax</b>		<b>79</b>	<b>5,558</b>
<b>Total comprehensive expense for the financial year</b>		<b>(8,175)</b>	(973)
<b>Loss for the financial year attributable to:</b>			
- Owners of the parent		<b>(8,254)</b>	(6,484)
- Non-controlling interest		-	(47)
<b>Loss for the financial year</b>		<b>(8,254)</b>	(6,531)
<b>Total comprehensive expense attributable to:</b>			
- Owners of the parent		<b>(8,175)</b>	(926)
- Non-controlling interest		-	(47)
<b>Total comprehensive expense for the financial year</b>		<b>(8,175)</b>	(973)

Notes from pages 13 to 41 form a part of the financial statements.

The results of the Group for the year arose from continuing operations.

Registered number: 1330368

**Consolidated Balance Sheet**  
*at 31 December 2017*

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Fixed assets</b>					
Intangible assets					
Goodwill	11	249		499	
Other intangible assets	11	19		15	
			268		514
Tangible assets	12		63,125		63,587
Investment property	13		5,000		5,164
Investment in joint venture					
Share of gross assets	15	4,135		5,635	
Share of gross liabilities	15	(137)		(137)	
Investment in associates			3,998		5,498
			-		-
			72,391		74,763
<b>Current assets</b>					
Stocks	16	429		393	
Debtors	17	6,859		3,057	
Cash at bank and in hand	18	2,264		2,700	
Creditors: amounts falling due within one year	19	9,552 (38,853)		6,150 (31,176)	
<b>Net current liabilities</b>			(29,301)		(25,026)
<b>Total assets less current liabilities</b>			43,090		49,737
Creditors: amounts falling due after more than one year	20		(49,405)		(47,877)
<b>Net (liabilities)/assets</b>			(6,315)		1,860
<b>Capital and reserves</b>					
Called up share capital	22		-		-
Revaluation reserve			37,690		37,690
Capital contribution reserve			97		97
Merger reserve			740		740
Translation reserve			298		219
Other reserves including the fair value reserve			4,814		4,989
Profit and loss account			(52,232)		(44,153)
<b>Shareholders' deficit</b>			(8,593)		(418)
Non-controlling interests			2,278		2,278
<b>Equity</b>			(6,315)		1,860

Notes from pages 13 to 41 form a part of the financial statements.

These financial statements were approved by the board of directors on 11 January 2019 and were signed on its behalf by:

  
H.M. King  
Director

Registered number: 1330368

**Company Balance Sheet**  
*at 31 December 2017*

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Fixed assets</b>					
Tangible assets	12		17		34
Investments	14		2,767		2,767
			<hr/>		<hr/>
			2,784		2,801
<b>Current assets</b>					
Debtors	17	4,453		4,412	
Cash	18	-		72	
		<hr/>		<hr/>	
		4,453		4,484	
<b>Creditors: amounts falling due within one year</b>	19	<b>(40,371)</b>		<b>(37,827)</b>	
		<hr/>		<hr/>	
<b>Net current liabilities</b>			<b>(35,918)</b>		<b>(33,343)</b>
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			<b>(33,134)</b>		<b>(30,542)</b>
			<hr/>		<hr/>
<b>Creditors: amounts falling due after more than one year</b>	20		<b>(9,447)</b>		<b>(9,461)</b>
			<hr/>		<hr/>
<b>Net liabilities</b>			<b>(42,581)</b>		<b>(40,003)</b>
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	22	-		-	
Fair value reserve		338		(353)	
Profit and loss account		(42,919)		(39,650)	
		<hr/>		<hr/>	
<b>Shareholders' deficit</b>			<b>(42,581)</b>		<b>(40,003)</b>
			<hr/>		<hr/>

Notes from pages 13 to 41 form a part of the financial statements.

These financial statements were approved by the board of directors on 11 January 2019 and were signed on its behalf by:

*H.M.K.*

**HM King**  
*Director*

Registered number: 1330368

## Consolidated Statement of Changes in Equity

	Revaluation reserve	Capital contri- bution reserve	Merger reserve	Trans- lation reserve	Other reserves including fair value	Profit and loss account	Share- holders equity	Non- controlling interests	Total Equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 January 2016	31,869	97	740	482	5,161	(37,841)	508	2,325	2,833
Loss for the year	-	-	-	-	-	(6,484)	(6,484)	(47)	(6,531)
Other comprehensive income/(expense)	5,821	-	-	-	-	(263)	5,558	-	5,558
Transfer from profit and loss account	-	-	-	(263)	(172)	435	-	-	-
At 31 December 2016	37,690	97	740	219	4,989	(44,153)	(418)	2,278	1,860
Loss for the year	-	-	-	-	-	(8,254)	(8,254)	-	(8,254)
Other comprehensive income	-	-	-	-	-	79	79	-	79
Transfer from profit and loss account	-	-	-	79	(175)	96	-	-	-
At 31 December 2017	37,690	97	740	298	4,814	(52,232)	(8,593)	2,278	(6,315)

## Company Statement of Changes in Equity

	Fair value reserve	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2016	(348)	(36,843)	(37,191)
Loss for the year ( <i>see note 10</i> )	-	(2,812)	(2,812)
Transfer from profit and loss account	(5)	5	-
At 31 December 2016	(353)	(39,650)	(40,003)
Loss for the year ( <i>see note 10</i> )	-	(2,578)	(2,578)
Transfer from profit and loss account	691	(691)	-
At 31 December 2017	338	(42,919)	(42,581)

Notes from pages 13 to 41 form a part of the financial statements.

**Consolidated Cash Flow Statement**  
*for the year ended 31 December 2017*

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Cash flows used in operating activities</b>	<b>25</b>	<b>(4,842)</b>	<b>(5,304)</b>
Taxation paid		-	(1)
<b>Net cash used in operating activities</b>		<b>(4,842)</b>	<b>(5,305)</b>
 <b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets	<i>12</i>	<b>(904)</b>	(832)
Additions to investment property	<i>13</i>	<b>(127)</b>	(996)
Purchase of intangible fixed assets	<i>11</i>	<b>(12)</b>	(7)
Proceeds from sale of tangible fixed assets		<b>42</b>	84
<b>Net cash used in investing activities</b>		<b>(1,001)</b>	<b>(1,751)</b>
 <b>Cash flows from financing activities</b>			
Capital element of finance lease rental payments	<i>20, 25</i>	<b>(134)</b>	(285)
Repayment of subordinated debt	<i>20, 25</i>	<b>(189)</b>	(101)
Increase in directors' loans	<i>20, 25</i>	<b>1,760</b>	750
Increase in bank loan	<i>20, 25</i>	<b>4,308</b>	17,833
Interest received	<i>8(a)</i>	<b>50</b>	-
Interest paid	<i>8(b)</i>	<b>(1,823)</b>	(1,532)
Interest element of finance lease rental payments	<i>8(b)</i>	<b>(24)</b>	(34)
<b>Net cash from financing activities</b>		<b>3,948</b>	<b>16,631</b>
 <b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,895)</b>	<b>9,575</b>
Effect of movement in exchange rates on cash held	<i>25</i>	<b>(73)</b>	-
Cash and cash equivalents at beginning of year	<i>18, 25</i>	<b>1,743</b>	<b>(7,832)</b>
 <b>Cash and cash equivalents at end of year</b>	<b>18, 25</b>	<b>(225)</b>	<b>1,743</b>

Notes from pages 13 to 41 form a part of the financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

International Group Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Group did not retrospectively change its accounting under pre-2015 UK GAAP for derecognition of financial assets and liabilities before the date of transition (1 January 2014), accounting estimates or discontinued operations.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed within this note.

#### *Basis of preparation*

These Group and parent financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately were first applied in the 2015 financial statements. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time;
- Certain disclosures required by FRS 102.26 Share Based Payments; and
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

#### *Measurement convention*

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, investment property and long leasehold property.

#### *Going concern*

Notwithstanding the group's and parent company's net current liabilities of £29.3m (2016: £25m) and £35.9m (2016: £33.3m) respectively, these financial statements have been prepared on a going concern basis.

The group has a long term loan from a bank with a face value, at the date of this report, amounting to £33.6m (£34.9m as at 31 December 2017). Subsequent to the year end, financial covenants attaching to that loan, were breached. In addition, a further short term loan of £3.7m (£1.5m as at 31 December 2017) and overdraft facility of £2.7m (£1m as at 31 December 2017) from the same bank are due for repayment by 30 June 2019 and 31 March 2019 respectively.

Furthermore, at the date of this report, the group also has a 12 month loan of £3.5m from an external financial institution (£2.7m with a different financial institution as at 31 December 2017) which is due to be repaid by June 2019. No formal agreement has been obtained to extend this loan further as the group expects to generate alternative funds as a result of the matters set out below which would allow for this loan to be repaid.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Basis of preparation (continued)*

#### *Going concern (continued)*

Pursuant to the negotiations held by the group with its principal bankers, the group has obtained a written confirmation from the bank to waive off their rights arising under the loan agreement as a result of the breach. Moreover, the bank has also formally agreed to reset more favourable covenant tests and to reduce the quarterly principal payments on the long term loan. However, the bank has required a reduction in the level of loan balance of £8m in two tranches over the next twelve months and the repayment of the short term facilities mentioned above to enable the bank to reduce their exposure.

The repayments of loan balances mentioned above are expected to be made from cash flows to be generated from the sources mentioned in the following paragraph. Progress against these matters is ongoing, but there can be no certainty that individually or collectively such actions will be completed within the timetable acceptable to the group's bankers. The matters currently being actively pursued by the directors to generate additional funds for loan repayments and working capital support include:

- collecting balance payment of £2.6m (following receipt of £2.8m in January 2019) from an overseas Government which is overdue on an overseas long term contract;
- collecting its share from the voluntary liquidation of a joint venture property interest which is expected to amount to approximately £4m - 4.5m;
- securing milestone payments on overseas long term contracts which have a combined value of approximately £530m and are expected to financially close in the first quarter of 2019. The group has already commenced works on these contracts under the terms of a "limited notice to proceed" to the value of £14.7m issued and funded by the contract employer, pending the finalization of the financing arrangements on the main contract.
- selling substantial property interests held directly or indirectly under their ownership;

Based on the current status of negotiations conducted to date, the directors have a reasonable expectation that they will proceed within the timetable forecast, but there can be no certainty that funds will be received as forecast. Based on the latest available information, the directors have a reasonable expectation that sufficient funds will be realised, but if not the group will need to secure additional finance facilities from its current bank, loan providers, or shareholders, or identify alternative sources of funding to fulfil its working capital requirements.

In addition, the parent company is reliant for its working capital on financial support from subsidiary undertakings to enable the parent company to continue to trade as a going concern. The parent company in turn has provided written indication of support to its subsidiary undertakings that for at least twelve months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the respective subsidiary undertakings. The directors of the subsidiary companies, who are also the directors of the parent company, have indicated that they do not intend to call upon the parent company to repay this liability for a similar period of twelve months.

The directors have concluded that the combination of the above circumstances represent a material uncertainty that may cast significant doubt on the ability of the group and each group entity to continue as a going concern and that, therefore each company within the group may be unable to continue realising its assets and discharging its liabilities in the normal course of business. Nevertheless, after making enquiries and considering the uncertainties described above, the directors are confident that the group and the parent company will have adequate resources to continue to operate for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the annual financial statements. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2017. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Business combinations that took place prior to the FRS 102 transition date of 1 January 2014 have not been restated.

The acquisition method of accounting has been adopted in respect of all subsidiaries apart from International Hospital Group Limited.

Under the acquisition method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

The merger method of accounting was adopted in respect of the acquisition by the Company of International Hospitals Group Limited and its subsidiaries on 31 August 2005 as the transactions met the definition of a group reconstruction under the previous FRS 6 'Acquisitions and Mergers'. This remains consistent with FRS 102 Sections 19.27 to 19.33.

Under this method the results of subsidiary undertakings are brought into the Group from the beginning of the financial period and corresponding figures are restated as if the Group had always been in existence.

An associate is an undertaking in which the Group has a long-term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. The Group's share of the profits less losses of associates is included in the consolidated profit and loss account and its interest in their net assets, is included in investments in the consolidated balance sheet.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

A joint venture is a contractual arrangement undertaking in which the Group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group's share of the profits less losses of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Goodwill*

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of business combinations is capitalised at cost less any accumulated amortisation and accumulated impairment losses. Positive goodwill is amortised on a straight-line basis to a residual value of nil over its estimated useful life. Where a reliable estimate of the useful economic life cannot be made by the directors, the life shall not exceed five years.

Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

The Group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

FRS 102 Section 35 granted certain exemptions from the full requirements of FRS 102 during the transition period. The Group elected not to restate business combinations that took place prior to the transition date. In respect of acquisitions prior to 1 January 2014, goodwill is included on the basis of its deemed cost, which represents the amount recorded under pre-2015 UK GAAP. Intangible assets previously included in goodwill, are not recognised separately.

Goodwill is tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill may be impaired.

#### *Other intangible fixed assets and amortisation*

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible asset acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

The costs of patent licences are written off to the profit and loss account in the year of purchase.

The costs of tooling design, development costs and computer software are amortised on a straight-line basis over their estimated useful economic lives as follows:

Tooling design	-	5 years
Development	-	3 years
Computer software	-	5 years

The Group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that an intangible asset may be impaired.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Tangible fixed assets and depreciation*

Tangible fixed assets other than long leasehold property are stated at cost less accumulated depreciation and accumulated impairment losses. Long leasehold property has been revalued to fair value prior to the date of transition to FRS 102, and is measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Depreciation is charged to the profit and loss account to write off the cost less the estimated residual value of each part of an item of tangible fixed assets on a straight-line basis over their estimated useful economic lives as follows:

Long leasehold property and leasehold improvements	- 10 to 100 years (dependent on the type of improvement)
Fixtures, fittings and equipment	- 3 to 10 years
Motor vehicles	- 4 years

No depreciation is provided on freehold land.

No depreciation is provided on fine works included within fixtures and fittings as it is considered that the residual value of these items will be greater than cost.

In the case of freehold buildings annual depreciation (using residual values estimated at the time the properties were acquired or at the time of a later revaluation) would not be material in these accounts and hence no depreciation is provided.

Included within long leasehold property and leasehold improvements is leasehold land and buildings on which no depreciation is provided as the leases all have 100 years and over left to run as at the balance sheet date. It is the Company's practice to maintain these assets in a continual state of sound repair and make improvements thereto from time to time and accordingly the directors consider that the lives of these assets are so long and residual values, based on prices prevailing at the time of acquisition or subsequent valuation, are so high that their depreciation is insignificant. Any permanent diminution in value of such properties is charged to profit and loss account as appropriate. On an annual basis the director's consider the appropriateness of the assumed useful economic lives for assets which have a useful economic life of greater than 50 years.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits.

#### **Revaluation**

As stated above, long leasehold property is stated at fair value less any subsequent accumulated depreciation and impairment losses.

Gains on revaluation are recognised in other comprehensive income and accumulated in a revaluation reserve within equity. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease previously recognised in profit or loss.

Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. Any excess is recognised in profit or loss.

#### *Leases*

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Investment properties*

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

##### *Subsequent to initial recognition*

- i. investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and
- ii. no depreciation is provided in respect of investment properties applying the fair value model.

If a reliable measure is not available without undue cost or effort for an item of investment property, this item is thereafter accounted for as tangible fixed assets in accordance with section 17 until a reliable measure of fair value becomes available.

#### *Stocks and work in progress*

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

Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

Work in progress is valued at the lower of costs incurred to date and net realisable value less estimated costs to completion.

Freehold land and properties held for dealing and directly associated improvement costs are shown as work in progress and are stated at the lower of cost or the directors' estimate of net present value.

Long term contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

#### *Foreign currencies*

Transactions in foreign currencies are translated into the Group's functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the rate of exchange ruling at that date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities and profit and loss accounts of any overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to other comprehensive income, net of exchange differences arising on related foreign currency borrowings.

#### *Basic financial instruments*

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

## Notes (continued)

### 1 Accounting policies (continued)

#### **Basic financial instruments (continued)**

##### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

##### *Investments in subsidiaries and associates*

In the Company's financial statements, investments in subsidiary undertakings and associates are stated at cost less impairment.

##### *Cash and cash equivalents*

Cash and cash equivalents, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less bank overdrafts payable on demand that form an integral part of the Group's cash management.

#### **Other financial instruments**

##### *Financial instruments not considered to be Basic financial instruments (Other financial instruments)*

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship.

##### *Derivative financial instruments*

Derivative financial instruments, including interest rate swaps and forward foreign exchange contracts are not Basic Financial Instruments. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss in finance income or finance costs as appropriate, unless they are included in a hedging arrangement.

The Group has not entered into any hedging arrangements.

#### **Employee benefits**

The Group operates a defined contribution pension scheme providing post-employment benefits. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

#### **Research and development expenditure**

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

#### **Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Financial guarantee contracts*

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make payment under the guarantee.

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers. Turnover is recognised when goods and services have been supplied to and accepted by the Group's clients. Turnover on long term construction projects are recognised based on the proportion of cost appropriate to the stage of completion plus attributable profits, less amounts recognised in previous years. Fees are recognised over the period of the relevant assignments or agreements. Rental turnover is recognised in accordance with tenants' rental agreements.

Turnover from transactions where goods or services are sold in exchange for dissimilar goods or services are measured at the fair value of the goods and services received, adjusted by any cash or cash equivalent paid. These transactions are described within these accounts as Barter Transactions.

#### *Expenses*

##### *Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

##### *Finance lease*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

##### *Interest receivable and interest payable*

Interest payable and similar expenses include interest payable on bank borrowings and overdraft and finance charges on finance leases which are recognised in profit or loss using the effective interest method, unwinding of the discount on interest free loans, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are expensed as incurred.

Other interest receivable and similar income include interest receivable on deposits repayable on demand and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Taxation*

Tax on profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates and joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### *Impairment excluding stocks, investment properties and deferred tax assets*

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than investment property, stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Impairment excluding stocks, investment properties and deferred tax assets (continued)*

##### *Non-financial assets (continued)*

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss recognised for goodwill is not reversed. Impairment losses recognised for other assets is reversed only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### *Accounting estimate and judgment*

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### *Key sources of estimation uncertainty*

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

- Going concern assumption (refer note 1 above)
- Valuation of long leasehold property and investment property (refer notes 12 and 13)

## Notes (continued)

### 2 Segmental information

The geographical analysis of turnover is as follows:

	2017 £000	2016 £000
United Kingdom	15,390	15,907
Rest of the World	1,392	1,549
	<u>16,782</u>	<u>17,456</u>

The activity analysis of turnover is as follows:

	2017 £000	2016 £000
Property	-	-
Leisure	15,318	15,560
Healthcare	1,387	1,833
Other services	77	63
	<u>16,782</u>	<u>17,456</u>

### 3 Barter transactions

Turnover includes recognised £15,000 attributable to barter transactions recognised during the year (2016: £2,000).

### 4 Expenses and auditor's remuneration

	2017 £000	2016 £000
<i>Profit/loss is stated after charging/(crediting):</i>		
Amortisation of goodwill	250	249
Amortisation of software intangible assets	8	6
Depreciation of tangible fixed assets:		
Owned	685	1,144
Leased	626	220
Hire of plant and machinery	5	8
Loss/(profit) on sale of fixed asset	12	(13)
Impairment in value of property held by a joint venture	1,150	1,724
	<u>1,150</u>	<u>1,724</u>
<i>Auditor's remuneration:</i>		
Audit - Company	35	35
Audit - Group	127	103
	<u>127</u>	<u>103</u>

## Notes (continued)

### 5 Remuneration of directors

	2017 £000	2016 £000
Directors' emoluments	425	345
Company contributions to money purchase pension schemes	6	6
	<u>431</u>	<u>351</u>

No retirement benefits accrued to the directors in the year under defined benefit schemes (2016: £nil).

The aggregate of emoluments of the highest paid director were £121,000 (2016: £101,000). Pension contributions of £nil (2016: £nil) were made during the year on his behalf.

### 6 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees Group	
	2017	2016
Management	26	26
Administration	66	61
Operational workers	211	206
	<u>303</u>	<u>293</u>

The aggregate payroll costs of these persons were as follows:

	Group	
	2017 £000	2016 £000
Wages and salaries	8,321	8,447
Social security costs	842	794
Other pension costs	152	136
	<u>9,315</u>	<u>9,377</u>

## Notes (continued)

### 7 Other gains and losses

	2017 £000	2016 £000
Gain on derivative financial instruments at fair value through profit or loss	-	232
Gain due to termination of derivative financial instruments	-	113
Gain from arbitration award	<u>2,467</u>	<u>-</u>
	<u>2,467</u>	<u>345</u>

In November 2017, International Group Management (Shanghai) Limited (a group entity) was successful in the arbitration court in Beijing and received an arbitral award for RMB 72.2 million (equivalent to £8 million) in damages and compensation against a former client. The group entity enforced the arbitration judgement through the courts and on 20 November 2018, RMB 34.2 million (equivalent to £3.9 million) of funds held by the court was subsequently released. The group has recognised £2,467,000 as income above which is the amount received net of accrued fixed and contingent costs.

In the prior year, on 29 July 2016, the interest swap was terminated early as part of a refinancing activity. This led to the release of the derivative financial instrument through the profit and loss.

### 8 Interest

#### a) Interest receivable and similar income

	2017 £000	2016 £000
On bank deposits	<u>50</u>	<u>-</u>

#### b) Interest payable and similar expenses

	2017 £000	2016 £000
On bank loans and overdrafts	1,806	1,332
On directors' loans	107	99
Finance charges payable in respect of finance leases and hire purchase contracts	24	34
Other interest payable	25	101
Unwind of discount	175	172
	<u>2,137</u>	<u>1,738</u>

## 9 Taxation

### Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2017 £000	2016 £000
<i>Analysis of expense in year:</i>		
<i>Current tax</i>		
Current UK tax on income for the year	-	-
Current overseas tax on income for the year	503	-
	<hr/>	<hr/>
Total current tax	-	-
<i>Deferred tax (see note 21)</i>		
- current year	-	82
- Prior year	300	-
	<hr/>	<hr/>
<b>Total tax</b>	<b>803</b>	<b>82</b>
	<hr/>	<hr/>

### Reconciliation of effective tax rate

The total tax expense for the year is higher (2016: higher) than the standard rate of corporation tax in the UK: 19.25% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
<i>Total tax reconciliation</i>		
Loss before tax – Group	(6,301)	(4,288)
Share of operating loss before tax of joint venture	(1,150)	(2,161)
	<hr/>	<hr/>
Loss before tax – Group	(7,451)	(6,449)
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19.25% (2016: 20.00%)	(1,434)	(1,290)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	289	426
Depreciation for period more/(less) than capital allowances - no deferred tax impact recognised	54	(17)
Utilisation of tax losses	(11)	(3)
Additional tax losses to carry forward – no deferred tax impact recognised	1,572	1,246
Exempt chargeable gain	(76)	(277)
Adjustment in respect of prior years	300	-
Others	2	(3)
Effect of overseas tax rates	107	-
	<hr/>	<hr/>
Total tax expense (see above)	<b>803</b>	<b>82</b>
	<hr/>	<hr/>

The total tax expense is recognised wholly in the profit and loss account.

In the 2016 Budget, the Chancellor announced additional planned reductions to 17% from 1 April 2020. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2017 has been calculated based on the rates of 17% substantively enacted at the balance sheet date.

## Notes (continued)

### 10 Loss after tax

The Company's loss for the financial year was £2,578,000 (2016: £2,812,000).

### 11 Intangible fixed assets

Group	Goodwill £000	Tooling design and development £000	Computer software £000	Total £000
<b>Cost</b>				
At beginning of year	7,654	697	69	8,420
Additions	-	-	12	12
Disposals	-	(697)	-	(697)
At end of year	7,654	-	81	7,735
<b>Amortisation</b>				
At beginning of year	7,155	697	54	7,906
Charge for the year	250	-	8	258
Eliminated on disposal	-	(697)	-	(697)
At end of year	7,405	-	62	7,467
<b>Net book value</b>				
At 31 December 2017	249	-	19	268
At 31 December 2016	499	-	15	514

Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

All amortisation is recognised through the profit and loss account in administrative expenses.

## Notes (continued)

### 12 Tangible fixed assets

#### Group

	Freehold land and buildings	Long leasehold property and leasehold improvements	Fixtures, fittings and equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000
<b>Cost, deemed cost or valuation</b>					
At beginning of year	231	59,594	9,759	131	69,715
Additions	-	442	325	137	904
Disposal	-	(36)	(354)	-	(390)
Currency translation	-	-	-	(2)	(2)
At end of year	231	60,000	9,730	266	70,227
<b>Depreciation</b>					
At beginning of year	-	586	5,457	85	6,128
Charge for year	-	626	613	72	1,311
Eliminated on disposal	-	(36)	(301)	-	(337)
At end of year	-	1,176	5,769	157	7,102
<b>Net book value</b>					
At 31 December 2017	231	58,824	3,961	109	63,125
At 31 December 2016	231	59,008	4,302	46	63,587

#### Non-depreciation

Freehold land and buildings consists of a plot of land held in Spain for capital appreciation purposes. The directors have determined that a reliable measure of the fair value of this property is not available without undue cost and effort and have therefore continued to measure this property at cost and have classified it within tangible fixed assets. No depreciation has been charged thereon during the year (2016: £nil).

Included within long leasehold property and leasehold improvements is long leasehold land of £931,000 (2016: £931,000) which is not subject to depreciation. Included within fixtures, fittings and equipment are assets of £1,700,000 (2016: £1,744,000) which are not subject to depreciation.

#### Leased assets

Included in the total net book value of fixtures, fittings and equipment is £324,000 (2016: £491,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets amounted to £129,000 (2016: £220,000).

## Notes (continued)

### 12 Tangible fixed assets (continued)

The following information relates to tangible fixed assets carried on the basis of revaluations in accordance with FRS 102, Section 18, and in respect of historical cost, paragraph 34 of Schedule 1 of the Regulations.

#### Class of assets - Long leasehold property

	2017 £000	Group 2016 £000
At existing use value		
22 February 2016 – Full valuation	62,000	62,000
Less: non-leasehold assets included within 2016 revaluation remaining at cost	(2,724)	(2,724)
Additions thereon	733	318
Disposals	(36)	-
Aggregate depreciation thereon	(1,173)	(586)
	<hr/> 58,800	<hr/> 59,008
Net book value		
	<hr/> 58,800	<hr/> 59,008
Historical cost of revalued assets	28,849	28,470
Aggregate depreciation thereon	(6,141)	(5,856)
	<hr/> 22,708	<hr/> 22,614
Historical cost net book value		

The long leasehold land and buildings (comprising Stoke Park, Park Road, Stoke Poges, Buckinghamshire, SL2 4PG) together with certain other assets based at Stoke Park, were professionally valued as at 22 February 2016 at £62 million. The fair value was measured using the income capitalisation method. Key assumptions of this calculation include determination of a sustainable EBITDA for the business and an appropriate capitalisation rate.

The valuation was performed by M. Churchouse MRICS of CBRE Limited, Chartered Surveyors. The valuation was in accordance with the RICS Statements of Asset Valuation Practice and Guidance Notes.

The directors of Stoke Park Ltd have based the revaluation of the Stoke Park Hotel & Country Club upon this external formal valuation as the best source for arriving at current valuation. Reviewing the CBRE valuation report and in particular the section covering Trading Properties Valuation Assumption, the value of fixtures and fittings noted above are considered additional to this trading valuation and therefore the net book value has been adjusted as set out above prior to determining the change in valuation that should be reflected these financial statements.

The tax liability that would arise if these property assets were realised at the revalued amounts included above is shown in note 21.

## Notes (continued)

### 12 Tangible fixed assets (continued)

	Fixtures, fittings and equipment	
Company	2017 £000	2016 £000
<b>Cost</b>		
At beginning of year	127	124
Additions	-	7
Disposals	-	(4)
	<hr/>	<hr/>
At end of year	127	127
	<hr/>	<hr/>
<b>Depreciation</b>		
At beginning of year	93	79
Charge for year	17	18
Adjustment for disposals	-	(4)
	<hr/>	<hr/>
At end of year	110	93
	<hr/>	<hr/>
<b>Net book value</b>		
At end of year	17	34
	<hr/>	<hr/>
At beginning of year	34	45
	<hr/>	<hr/>

### 13 Investment property

Group	2017 £000	2016 £000
Balance at beginning of the year	5,164	-
Transfer from tangible fixed assets	-	1,695
Additions	127	996
Net (loss)/gain from fair value adjustments	(291)	2,473
	<hr/>	<hr/>
Balance at end of the year	5,000	5,164
	<hr/>	<hr/>
Historical cost net book value	2,818	2,691
	<hr/>	<hr/>

## Notes (continued)

### 13 Investment Property (continued)

Investment property comprise three properties located in, Stoke Poges, Buckinghamshire adjacent to Stoke Park. At the reporting date, the directors have assessed the fair value of these properties, taking in to account offers received from unrelated external parties for the purchase thereof on an "as is basis". Based on the above assessment, the investment property has been re-measured to £5m with the resultant loss on fair valuation of £291,000 being recognized in profit or loss.

### 14 Fixed asset investments

	Interests in associated undertakings £000
<b>Group</b>	
<i>Share of post acquisition reserves</i>	
At beginning and end of year	-
	<hr/>
	<b>Shares in group undertakings £000</b>
<b>Company</b>	
<i>Cost</i>	
At beginning and end of year	3,288
	<hr/>
<i>Provisions</i>	
At beginning and end of year	521
	<hr/>
<i>Net book value</i>	
<b>At 31 December 2017</b>	<b>2,767</b>
	<hr/>
At 31 December 2016	2,767
	<hr/>

## Notes (continued)

### 14 Fixed asset investments (continued)

The undertakings in which the group's interest at the year-end is more than 20% are as follows:

	Registered office / principal place of business	Principal activity	Class and percentage of shares held		Aggregate capital and reserves £000	Profit (or loss) for the year £00
			Group	Company		
<b>Subsidiary undertakings</b>						
Beeson and Sons Investments Limited	(1)	Dormant	100% Ord £1	-	-	-
Beeson and Sons Limited	(1)	Property construction	100% Ord £1	100% Ord £1	(5,236)	(75)
Stoke Park Estates	(1)	Property management	100% Ord £1	-	2,235	(791)
Beeson Property Investments Limited	(1)	Property development	100% Ord £1	100% Ord £1	301	(1,181)
Health International Espana SA	(1)	Property company	62% Ord £1	49% Ord £1	5,196	-
IHG ESA	(3)	Dormant	100% Ord 1pts	-	9	-
IHG Ghana	(4)	Construction	100% No par value	-	(2,185)	(33)
IHG Healthcare Limited	(1)	Healthcare consultancy	100% Ord £1	-	971	355
International Hospitals Group Limited	(1)	Hospital management services	100% Ord £1	100% Ord £1	(3,129)	(2,441)
International Hospitals Group (Shanghai) Limited	(5)	Hospital management services	100% No par value	-	(2,750)	(2,360)
International Packaging Limited	(1)	Dormant	100% Ord £1	100% Ord £1	(12,645)	-
International Productions Limited	(1)	Dormant	100% Ord £1	-	(674)	-
International Services Group Limited	(1)	Dormant	100% Ord £1	100% Ord £1	-	-
International Work and Play Limited	(1)	Dormant	100% Ord £1	-	-	-
King Mines Limited	(1)	Dormant	100% Ord £1	100% Ord £1	263	-
May.D. Limited	(1)	Dormant	100% Ord £1	-	-	-
International Group Management Limited	(1)	Leisure facilities management	100% Ord £1	100% Ord £1	(8,299)	(475)
International Group Management (Shanghai) Limited	(5)	Leisure facilities management	100% No par value	-	1,502	1,555
International eGames Group Limited	(1)	Dormant	100% Ord £1	-	-	-
Stoke Park Club Limited	(1)	Dormant	100% Ord £1	100% Ord £1	2,551	-
Stoke Park Limited	(1)	Country club and hotel management	100% Ord £1	-	28,213	(588)
eSports Premier League Limited	(1)	Dormant	100% Ord £1	-	(48)	-
<b>Associated undertakings</b>						
HI (Health International) Limited	(1)	Dormant	26% Ord £1	26% Ord £1	(231)	-
Corinthian Club Limited	(1)	Dormant	26% Ord £1	26% Ord £1	121	-
<b>Joint venture</b>						
Maplecross Properties Limited	(2)	Property development	50% Ord £1	-	21,613	-
Maplecross Hotel Limited	(2)	Property development	50% Ord £1	-	(6,629)	-
Maplecross Retail Limited	(2)	Property development	50% Ord £1	-	(890)	-
CP Maplecross Limited	(1)	Dormant	50% Ord £1	-	-	-

The total of the group's loss after taxation from interests in joint venture was £1,150,000 (2016: £2,161,000).

The total of the group's result after taxation from interests in associates was £nil (2016: £nil).

Maplecross Hotel Limited, Maplecross Retail Limited and CP Maplecross Limited are subsidiaries of Maplecross Properties Limited.

#### Key to registered office / principal place of business

- (1) Stoke Park Club, Park Road, Stoke Poges, Slough, Buckinghamshire, SL2 4PG, UK.
- (2) Richmond House, Ann's Place, St. Peter Port, Guernsey, GY1 2NU.
- (3) Paseo de la Castellana 21, Madrid, Spain.
- (4) 67 Kojo Thompson Road, Adabraka, Accra, Ghana.
- (5) Room 802B, 8th Floor, T8 Building, Hongqiao Vanke Center, 988 Shenchang Road, Minhang District, Shanghai, 201107, People's Republic of China.

## Notes (continued)

### 15 Investment in joint venture

<b>Group</b>	<b>Interest in joint ventures £000</b>
<i>Cost</i>	
At beginning of year	5,498
Share of loss	(1,150)
Transfer to reclassify as amount owed by joint venture undertaking (see note 17)	(350)
At end of year	<u><u>3,998</u></u>
<i>Net book value</i>	
At 31 December 2017	<u><u>3,998</u></u>
At 31 December 2016	<u><u>5,498</u></u>

On 5 July 2017, Maplecross Properties Limited entered into a voluntary liquidation. Based on discussions held by Beeson Property Investments Limited (the subsidiary company holding the investment) with the liquidator the equity investment of both the joint venture parties was held to be 50%. The additional amounts of £350,000 paid by the subsidiary into the joint venture over the past few years was deemed to be a loan rather than an equity investment. Accordingly, the subsidiary has re-assessed its shareholding percentage in Maplecross Properties Limited as 50% and the amount of £350,000 has been reclassified as a receivable from the joint venture.

### 16 Stocks

	<b>Group</b>
	<b>2017      2016</b>
	<b>£000      £000</b>
Work in progress	30      40
Raw materials and consumables	-      -
Finished goods and goods for resale	399      353
	<u>429      393</u>

Work in progress includes the following amounts in respect of long-term contracts and have been included as payments on account within creditors (see note 19).

	<b>Group</b>
	<b>2017      2016</b>
	<b>£000      £000</b>
Net cost less foreseeable losses	853      853
Less payments on account received	(18,086)      (18,678)
	<u>(17,233)      (17,825)</u>

## Notes (continued)

### 17 Debtors

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Trade debtors	806	1,092	-	-
Amounts owed by group undertakings	-	-	4,337	4,326
Amounts owed by related party	805	805	4	4
Amounts owed by joint venture undertaking	350	20	-	-
Other debtors (see note 7)	4,496	852	96	72
Prepayments and accrued income	402	288	16	10
	<b>6,859</b>	<b>3,057</b>	<b>4,453</b>	<b>4,412</b>
Due within one year	<b>6,859</b>	<b>3,057</b>	<b>4,453</b>	<b>4,412</b>
Due after one year	-	-	-	-
	<b>6,859</b>	<b>3,057</b>	<b>4,453</b>	<b>4,412</b>

### 18 Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Cash at bank and in hand	2,264	2,700	-	72
Bank overdrafts	(2,489)	(957)	(263)	-
Cash and cash equivalents per cash flow statement	<b>(225)</b>	<b>1,743</b>	<b>(263)</b>	<b>72</b>

Included in cash at bank and in hand is an amount of £1,863,000 (2016: £2,457,000) which is held in accounts within the People's Republic of China and subject to that country's regulations on transferring funds to overseas bank accounts.

### 19 Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Bank loans and overdrafts (see note 20)	6,838	2,253	405	250
Directors' loans (see note 20)	5,510	3,750	1,510	750
Obligations under finance leases and hire purchase contracts	99	207	-	-
Payments received on account (see note 16)	17,233	17,825	-	-
Trade creditors	2,095	1,402	127	90
Amounts owed to group undertakings	-	-	37,881	36,177
Taxation and social security	679	674	87	108
Corporation tax	503	-	-	-
Other creditors	918	700	-	-
Amounts owed to related parties	730	730	-	-
Accruals and deferred income	4,248	3,635	361	452
	<b>38,853</b>	<b>31,176</b>	<b>40,371</b>	<b>37,827</b>

## Notes (continued)

### 20 Creditors: amounts falling due after more than one year

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Bank loan	39,526	38,258	-	-
Subordinated loan	9,447	9,461	9,447	9,461
Obligations under finance leases and hire purchase contracts	50	76	-	-
Derivative financial instruments	-	-	-	-
Deferred tax provision	382	82	-	-
	<b>49,405</b>	<b>47,877</b>	<b>9,447</b>	<b>9,461</b>

The above subordinated loan of £9,447,000 (2016: £9,461,000) is due to a related party, registered overseas and owned by trusts (also refer to note 28).

The loan is subordinated to the claims of other creditors such that it could only be repaid, in full or in part, to the extent that the company remained solvent after such repayment and was able to meet its debts as they fell due over the following twelve months. No interest is payable on this loan and accordingly under FRS 102 the amounts above are discounted using the effective interest method. The undiscounted liability at the year-end is £9,785,000 (2016: £9,974,000).

On 29 July 2016, the Group entered into a £35.8m facility with HSBC. This facility is due for repayment in instalments over a five-year period up to the expiry date of 30 June 2021. The first repayment of £0.3m was on 30 June 2017, and thereafter in quarterly instalments which vary year on year up to 31 March 2021. The remaining balance of £30.4m will be repayable on 30 June 2021. The loan carry interest at libor plus 2.25 per cent. The bank loans are secured by a company debenture, a fixed and floating charge over leasehold and freehold land and property, a fixed charge over book and other debts and a composite multilateral guarantee.

The loan agreement requires the Group to comply with certain financial covenants. As at 31 December 2017, the Group was in compliance with such covenants. Subsequent to the year end, at 31 March 2018 and thereafter, the Group has breached the covenants in relation to interest cover and cashflow cover. Refer to Note 1.

Total director loans to the group amount to £5,510,000 (2016: £3,750,000). Interest on £4,000,000 of these loans is payable at 2.75% above the Sterling LIBOR whilst £1,510,000 is interest free.

#### Analysis of debt:

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Debt can be analysed as falling due:				
In one year or less, or on demand	12,348	6,003	1,915	1,000
In two to five years	43,532	44,216	9,447	9,461
In five years or more	5,441	3,503	-	-
	<b>61,321</b>	<b>53,722</b>	<b>11,362</b>	<b>10,461</b>

The maturity of obligations under finance leases and hire purchase contracts net of future finance charges are as follows:

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Within one year	99	207	-	-
In the second to fifth years	50	76	-	-
	<b>149</b>	<b>283</b>	<b>-</b>	<b>-</b>

## Notes (continued)

### 21 Deferred tax

#### Group

The elements of deferred taxation are as follows:

	Unrecognised asset 2017 £000	Unrecognised asset 2016 £000
Difference between accumulated depreciation and amortisation and capital allowances	(1,882)	(1,934)
Other timing differences	86	86
Tax losses - UK	10,469	9,990
Tax losses - Overseas	534	-
	<hr/>	<hr/>
Undiscounted deferred tax asset	9,207	8,142
	<hr/>	<hr/>
	Recognised liability 2017 £000	Recognised liability 2016 £000
Deferred tax liability	382	82
	<hr/>	<hr/>

#### Company

The elements of deferred taxation are as follows:

	Unrecognised Asset 2017 £000	Unrecognised asset 2016 £000
Difference between accumulated depreciation and amortisation and capital allowances	9	7
Tax losses	1,884	1,648
	<hr/>	<hr/>
Undiscounted deferred tax asset	1,893	1,655
	<hr/>	<hr/>

The directors do not feel that it is appropriate to recognise this deferred tax asset in the light of future trading conditions.

Deferred tax has not been provided in respect of the potential liability on the disposal of the group's freehold and leasehold premises as it is not anticipated that the properties will be disposed of in the foreseeable future. The estimated amount of tax that would be payable if the properties were sold for their current values is £3,426,000 (2016: £3,922,000).

## Notes (continued)

### 22 Capital and reserves

#### Called up share capital

	2017 £	2016 £
<i>Allotted, called up and fully paid</i>		
210 ordinary shares of £1 each	210	210
	<hr/>	<hr/>
Shares classified in shareholders' equity	210	210
	<hr/>	<hr/>

#### Revaluation reserve

Where tangible fixed assets are revalued, the cumulative increase in the fair value of the property at the date of reclassification in excess of any previous impairment losses is included in the revaluation reserve.

#### Capital contribution reserve

The capital contribution reserve was created in 2004 in eSports Premier League Limited (formerly Xtrapack Limited), a subsidiary company.

#### Merger reserve

The merger reserve was created when International Group Limited acquired 740,000 £1 ordinary shares in International Hospitals Group Limited in exchange for 74 £1 ordinary shares.

#### Other reserves

Other reserves includes a non-distributable reserve that was created from consolidating Beeson & Sons Investments Limited (a dormant company) following a corporate restructuring.

### 23 Pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £152,000 (2016: £136,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

## Notes (continued)

### 24 Financial instruments

The Group has the following financial instruments:

#### Financial assets measured at amortised cost

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Trade debtors	806	1,092	-	-
Amounts owed by group undertakings	-	-	4,337	4,326
Amounts owed by related party	805	4	4	4
Amounts owed by joint venture undertaking	350	20	-	-
Other debtors	4,496	1,653	96	72
	<u>6,457</u>	<u>2,769</u>	<u>4,437</u>	<u>4,402</u>

#### Financial liabilities measured at amortised cost

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Bank loans and overdrafts	46,364	40,511	405	250
Directors' loans	5,510	3,750	1,510	750
Obligations under finance leases and hire purchase contracts	149	283	-	-
Trade creditors	2,095	1,402	127	90
Amounts owed to group undertakings	-	-	37,881	36,177
Other creditors	918	700	-	-
Amounts owed to related parties	730	730	-	-
Accruals	2,497	1,310	361	202
	<u>58,263</u>	<u>48,686</u>	<u>40,284</u>	<u>37,469</u>

#### Financial liabilities measured at fair value through profit or loss

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Subordinated loan	<u>9,447</u>	<u>9,461</u>	<u>9,447</u>	<u>9,461</u>

## Notes (continued)

### 25 Notes to the cash flow statement

	2017 £000	2016 £000
Loss for the financial year	(8,254)	(6,531)
Tax expense	803	82
Interest payable and similar expenses	1,847	1,566
Loan amortisation	290	172
Share of operating loss in joint ventures	1,150	2,161
(Loss)/gain on fair value of investment property	291	(2,473)
	<hr/>	<hr/>
Exchange differences	(3,873)	(5,023)
Depreciation and amortisation charges	2	(263)
Loss/(profit) on disposal of tangible fixed assets	1,568	1,619
	12	(13)
Working capital movements:		
- (Increase)/decrease in stocks	(36)	500
- Increase in debtors	(3,452)	(311)
- Increase/(decrease) in creditors	937	(1,813)
	<hr/>	<hr/>
<b>Net cash flow used in operating activities</b>	<b>(4,842)</b>	<b>(5,304)</b>
	<hr/> <hr/>	<hr/> <hr/>

### Analysis of net debt

	At beginning of year £000	Non-cash movement £000	Exchange movement £000	Cash flow £000	At end of year £000
Cash at bank and in hand	2,700	-	(73)	(363)	2,264
Overdrafts	(957)	-	-	(1,532)	(2,489)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,743	-	(73)	(1,895)	(225)
Finance leases	(283)	-	-	134	(149)
Debt due within one year	(4,090)	-	-	(259)	(4,349)
Debt due after one year	(48,675)	(290)	102	(5,620)	(54,483)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>(51,305)</b>	<b>(290)</b>	<b>29</b>	<b>(7,640)</b>	<b>(59,206)</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 26 Commitments

- (a) There are no unprovided capital commitments at the end of the financial year (2016: £nil).
- (b) There are no annual commitments under non-cancellable operating leases (2016: £nil).

## Notes (continued)

### 27 Contingent liabilities

There are no contingent liabilities at 31 December 2017.

### 28 Related party transactions

The Group has taken advantage of the exemptions within FRS 102 Section 33 and has not disclosed details of the transactions and balances between the group's subsidiaries.

During the year the Group had the following transactions and balances with related parties outside the group.

	2017 £000	2016 £000
<b>Balance sheet</b>		
<b>Group debtors</b>		
International Travel Limited	4	4
Maplecross Properties Limited	350	20
UA Investments Limited	801	801
	<hr/> 1,155	<hr/> 825
<b>Company debtors</b>		
International Travel Limited	4	4
	<hr/>	<hr/>
<b>Group creditors</b>		
R.M. King	4,050	3,000
E. King	1,410	750
H.M. King	50	-
International Travel Limited	24	24
UA Investments Limited (at nominal value)	9,785	9,974
IHG Limited	585	585
Corinthian Club Limited	121	121
	<hr/> 16,025	<hr/> 14,454
<b>Company creditors</b>		
UA Investments Limited (at nominal value)	9,785	9,974
E. King	1,410	750
R.M. King	50	-
H.M. King	50	-
	<hr/> 11,295	<hr/> 10,724

UA Investments Limited, is an overseas company owned by a trust whose beneficiaries are RM King's grandchildren.

All the other companies are related parties by virtue of the fact that the board of directors of the companies include RM King, HM King, WM King and CM King, with the exception of Maplecross Properties Limited.

Maplecross Properties Limited is a related party by virtue of the fact that the Group owns 50% of the shares in Maplecross Properties Limited.

There were no profit and loss transactions with the above companies in the year (2016: £nil).

## Notes (continued)

### 28 Related party transactions (continued)

#### *Transactions with key management personnel*

Total compensation of key management personnel (including the directors) in the year amounted to £1,145,000 (2016: £1,075,000).

### 29 Ultimate shareholders

RM King, HM King, WM King and CM King each own 25% of the ordinary share capital.

### 30 Subsequent events

In January 2018, a group entity (Stoke Park Limited) completed a short-term loan facility for £3.7 million with HSBC Bank plc with a maturity date of 31 March 2018, which has subsequently been extended to 30 June 2019. Since August 2018 the group has access to overdraft facilities up to £2.7m provided by HSBC Bank plc to the group, this facility is due to expire by 31 March 2019 and as at December 2018 utilisation of this facility by the group was £2.5m. Also refer to note 1.

Since the balance sheet date and up to the date of signing these accounts the directors and related parties have provided additional loans to a group entity (Stoke Park Estates) totaling £1,000,000 and to the Company totaling £1,110,000.

In November 2017, International Group Management (Shanghai) Limited (a group entity) was successful in the arbitration court in Beijing and received an arbitral award for RMB 72.2 million (equivalent to £8 million) in damages and compensation against a former client with RMB 34.2 million received to date (see note 7). The group entity is seeking to recover the RMB 38 million balance of the arbitration award.