

**Britannia Hotels Limited
and subsidiary undertakings**

Annual report and financial statements
for the year ended 31 March 2016

Registered number: 1343600



Company information page
For the year ended 31 March 2016

Company registration number

1343600

Registered office

Halecroft
253 Hale Road
Hale
Altrincham
Cheshire
WA15 8RE

Directors

R Ferrari
A Langsam

Secretary

R Ferrari

Bankers

Royal Bank of Scotland
159c Ashley Rd
Hale
WA15 9SB

HSBC
11 Stamford New Rd
Altrincham
WA14 1BW

Auditor

Grant Thornton UK LLP
Chartered Accountants and Statutory Auditor
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Director's report

For the year ended 31 March 2016

The directors present their report and financial statements of the group for the year ended 31 March 2016.

Principal activities

The group and company's principal activities continue to be the operating of hotels and property development. It also sells conference room hire, banqueting functions and health club membership.

Business review

The turnover for the year ended 31 March 2016 was £84.1 million (2015: £79.0 million) – a rise of 6.4% on last year. The group made a profit before tax of £33.3 million (2015: profit before tax £14.2 million). The directors continue to recognise that the current economic climate in the UK has placed additional demands on the business, which has resulted in the need to maintain provisions for onerous contracts relating to two hotels and carefully consider whether there is a requirement to write down the carrying value of others (no adjustments being deemed necessary in the year ended 31 March 2016).

Results and dividends

The trading results for the year and the group's financial position at the end of the year are shown in the attached financial statements, and are discussed further in the business review below.

The company has paid no dividends during the year (2015: £Nil).

The directors who served during the year and at the date of this report were as follows:

Mr R. Ferrari

Mrs. E. Downey (resigned 24 March 2016)

Mr A. Langsam

Employees

Details of employees and related costs can be found in note 9 to the financial statements.

The group's policies and practices are laid out in employees' contracts of employment. Regular meetings are held within the individual hotels with heads of departments and the resulting information is passed to all employees. The group makes every effort to provide the same opportunities to disabled persons as to others and does not discriminate between employees on the grounds of race, ethnic origin or sex. Equal opportunity is given to all job applicants.

Briefing and consultative procedures exist throughout the group to inform employees on all matters of concern to them and to provide opportunities for comment and discussion.

Directors' report (continued)

For the year ended 31 March 2016

Disabled employees

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

Post-balance sheet events

Following the year end to the date of signing of the accounts there were no significant events to report.

Auditors

A resolution to re-appoint Grant Thornton UK LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Halecroft
253 Hale Road
Hale
Cheshire
WA15 8RE

By order of the Board,



R. Ferrari
Director

30 September 2016

Strategic report

For the year ended 31 March 2016

Strategy

The strategy adopted during the year has been to maintain the properties in the group to a high standard in order to meet the challenges presented by an increasingly competitive market. The group aims to offer increasing levels of comfort and service whilst maintaining its highly competitive prices and reputation for good value.

Turnover

Turnover is monitored in overall terms reflecting a mix of occupancy levels and average room rate. As a result of the hotel acquisitions in the current and previous year sales show growth of 6.4% for the year. This policy of organic growth and carefully managed expansion is designed to enhance the future prospects of the business.

Gross profit

The gross margin achieved for the year equated to 66.1% (2015: 65.8%). Trading conditions show some signs of improvement at selected locations influencing profitability and encouraging our continuing ambition of further investment in new properties.

Operating costs

Operating costs have decreased by around 41.8% on the previous year due to a profit on disposal during the year. If this profit is taken out, the operating costs have decreased by 5.4% on the previous year reflecting the directors' focus on the careful management of costs.

Key Performance Indicators

The directors manage the company's operations by monitoring the above KPI's of turnover, gross profit and operating costs. It is believed that these KPI's are those most applicable in understanding the group as a whole's reported performance.

Future outlook

The directors recognise that the environment of increased competition in the UK hotel industry has placed additional demands on the business. In order to sustain and enhance our position in the market we have endeavoured to improve the standard of our product both in terms of facilities and levels of service. The group have made strategic acquisitions of hotels during the year and has also added two additional properties since the year end. The directors recognise that economic conditions in the short term are likely to put strains upon the business and have carefully considered the availability of working capital and likely levels of trading over the next 12 months. We are confident that the business is well placed in order to meet the challenges.

Principal risks and uncertainties

The hotel industry in the UK is becoming increasingly competitive and this brings an increased risk of losing major sales accounts to competitors. The group manages to control this risk by adding improved services whilst retaining highly competitive prices and maintaining good customer relationships. The group has no overseas operations.

Demand for hotel services can be affected by the general economic conditions in the country. We ensure that we retain the necessary flexibility on our prices in order to quickly respond to changing market conditions. In addition, we

Strategic report (continued)

For the year ended 31 March 2016

employ tight controls on our costs, particularly labour costs, in order to ensure that the group maintains its competitive position.

Financial risk management objectives and policies

The financial instruments used by the group include bank loans and overdrafts, cash and items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

The main risks arising from the group's financial instruments are interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Interest rate risk

The company finances its operations through a mixture of retained profit, amounts owed to related parties and bank borrowings. It is the group's policy to undertake borrowings on the basis of variable interest rate facilities. The directors are confident that the overall resources of the organisation and its shareholders are sufficient to enable us to easily absorb any potential changes in interest rates.

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Short-term flexibility is achieved by overdraft facilities.

The maturity of borrowings is set out in note 20 to the financial statements.

Credit risk

The group's principal financial assets are cash and trade debtors. The principal credit risk arises from the group's trade debtors. In order to manage credit risk, the directors enforce a rigorous system of third party credit references, constantly reviewed credit limits and uncompromising debt collection.

Halecroft
253 Hale Road
Hale
Cheshire
WA15 8RE

By order of the Board,



R. Ferrari
Director

30 September 2016

Directors' responsibilities

For the year ended 31 March 2016

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors confirm that:

- so far as each director is aware; there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent auditors report to the members of Britannia Hotels Limited

For the year ended 31 March 2016

We have audited the financial statements of Britannia Hotels Limited for the year ended 31 March 2016 which comprise the consolidated statement of comprehensive income and retained earnings, the consolidated and parent company statement of financial position, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS102').

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 set out on page 7, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB'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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 March 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Independent auditors report to the members of Britannia Hotels Limited

For the year ended 31 March 2016

Matters on which we are required to report by exception

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.



Emma Stoddart

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP,

Statutory Auditor, Chartered Accountants

Manchester

30 September 2016

Britannia Hotels Limited

Company Reg No: 1343600

Consolidated statement of comprehensive income and retained earnings

For the year ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Turnover	5	84,105	79,017
Cost of sales		(28,480)	(27,004)
Gross profit		55,625	52,013
Other operating expenses	6	(21,445)	(36,824)
Operating profit		34,180	15,189
Bank interest received		23	3
Interest payable and similar charges	7	(906)	(963)
Profit on ordinary activities before taxation	8	33,297	14,229
Tax on profit on ordinary activities	11	(4,646)	(3,499)
Retained profit for the year		28,651	10,730
Retained profits at 1 April		80,297	45,402
Dividends paid		-	-
Transfers		-	24,165
Profit for the year		28,651	10,730
Retained profits at 31 March		108,948	80,297

All activity relates to continuing operations.

There were no other recognised gains or losses in the year other than the profit for the year. Accordingly a statement of total recognised gains or losses is not presented.

Britannia Hotels Limited
 Group statement of financial position
 31 March 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Chief rents	13	33	33
Goodwill	14	462	1,301
Intangible assets		<u>495</u>	<u>1,334</u>
Tangible assets	15	169,634	154,112
Investments	16	-	-
		<u>170,129</u>	<u>155,446</u>
Current assets			
Stocks	17	3,305	3,319
Trade debtors		1,198	893
Prepayments and accrued income		4,276	3,795
Other debtors	18	21,759	19,487
Cash at bank and in hand		24,143	3,886
		<u>54,681</u>	<u>31,380</u>
Creditors: Amounts falling due within one year			
Trade creditors		(1,410)	(1,368)
Accruals and deferred income		(7,089)	(6,612)
Other creditors	19	(8,060)	(3,401)
Bank loans	20	(2,160)	(2,536)
		<u>(18,719)</u>	<u>(13,917)</u>
Net current assets		<u>35,962</u>	<u>17,463</u>
Total assets less current liabilities		<u>206,091</u>	<u>172,909</u>
Creditors: Amounts falling due after more than one year			
Bank loans	20	(7,361)	(11,014)
Director's loan account		(39,472)	(32,472)
Provisions for liabilities	21	<u>(30,446)</u>	<u>(29,262)</u>
Net assets		<u>128,812</u>	<u>100,161</u>
Capital and reserves			
Called-up share capital	22	30	30
Revaluation reserve	23	12,770	12,770
Other reserve	23	7,064	7,064
Profit and loss account	23	108,948	80,297
Equity shareholders' funds		<u>128,812</u>	<u>100,161</u>

Britannia Hotels Limited
Group statement of financial position
31 March 2016

The financial statements on pages 10 to 37 were approved by the Board of Directors on 30 September 2016 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'R. Ferrari', with a stylized flourish at the end.

R. Ferrari
Director

Britannia Hotels Limited
Company no: 1343600

Britannia Hotels Limited
 Company statement of financial position
 31 March 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Chief rents	13	33	33
Intangible assets	14	69	471
Tangible assets	15	153,564	143,565
Investments	16	2,000	2,000
		<u>155,666</u>	<u>146,069</u>
Current assets			
Stocks	17	3,215	3,246
Trade debtors		1,057	823
Prepayments and accrued income		4,257	3,784
Debtors	18	25,180	34,556
Cash at bank and in hand		27,245	4,724
		<u>60,954</u>	<u>47,133</u>
Creditors: Amounts falling due within one year			
Trade creditors		(1,165)	(1,263)
Accruals and deferred income		(7,805)	(6,409)
Other creditors	19	(70,102)	(63,931)
Bank loans	20	(2,160)	(2,536)
		<u>(81,232)</u>	<u>(74,139)</u>
Net current liabilities		<u>(20,278)</u>	<u>(27,006)</u>
Total assets less current liabilities		135,388	119,063
Creditors: Amounts falling due after more than one year			
Bank loans	20	(7,361)	(11,014)
Director's loan account		(39,473)	(32,472)
Provisions for liabilities and charges	21	<u>(30,104)</u>	<u>(28,997)</u>
Net assets		<u>58,450</u>	<u>46,580</u>
Capital and reserves			
Called-up share capital	22	30	30
Revaluation reserve	23	15,910	15,910
Profit and loss account	23	42,510	30,640
Closing equity shareholders' funds		<u>58,450</u>	<u>46,580</u>

Britannia Hotels Limited
Company statement of financial position
31 March 2016

The financial statements on pages 10 to 37 were approved by the Board of Directors on 30 September 2016 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'R. Ferrari', written over a horizontal line.

R. Ferrari
Director

Britannia Hotels Limited

Consolidated statement of cash flows

For the year ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Profit for the financial year		28,651	10,730
Amortisation of intangible assets	15	839	839
Depreciation	15	14	17
Interest paid	7	906	963
Interest received		(23)	(3)
Taxation	11	4,646	3,499
Increase/(decrease) in trade and other debtors		(3,058)	107,830
Decrease in stocks		14	(7)
Increase in trade creditors		4,974	25,035
Cash from operations		36,963	148,903
Income taxes paid		(3,259)	(542)
Net cash generated from operating activities		33,704	148,361
Cash flow from investing activities			
Interest received		23	3
Purchase of fixed assets	15	(15,627)	(6,958)
Proceeds from the sale of tangibles		91	-
Net cash generated from investing activities		(15,513)	(6,955)
Cash flow from financing activities			
Repayment of borrowings		2,972	(136,665)
Interest paid		(906)	(963)
Net cash generated from financing activities		2,066	(137,628)
Net increase in cash and cash equivalents		20,257	3,778
Cash equivalents at the beginning of the year		3,886	108
Cash and cash equivalents at the end of the year		24,143	3,886

Notes to the financial statements

For the year ended 31 March 2016

1. Statutory information

Britannia Hotels Ltd is a company incorporated in England and Wales, registration number 1343600. The registered office is Halecroft, 253 Hale Rd, Altrincham, Cheshire, WA15 8RE. The group and company's principal activities continue to be the operating of hotels and property development. It also sells conference room hire, banqueting functions and health club membership.

2. Compliance with accounting standards

The accounts have been prepared under the historical cost convention in accordance with FRS 102, The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Companies Act 2006. There are no material departures from that standard. This is the first year in which the financial statements have been prepared under FRS 102. Please refer to note 28 for an explanation of the transition.

The preparation of financial statements in compliance with FRS 102 required the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 5). The individual accounts of Britannia Hotels Ltd have also adopted the following disclosure exemptions:

Financial instruments disclosures including:

- The requirement to present the Company statement of comprehensive income and retained earnings;
- The requirement to present a cash flow and related notes;
- Categories of financial instruments;
- Items of income, expenses, gains or losses relating to financial instruments;
- Exposure to and management of financial risk.

The following principal accounting policies have been applied:

3. Accounting policies

The financial statements for the year ended 31st March 2016 are the first financial statements that comply with FRS 102. The date of transition is 1st April 2014 (see note 28).

The accounts have been prepared under the historical cost convention. The presentation value is £ Sterling.

3.1 Going concern

The directors perform an annual review of the entity's ability to continue to operate as a going concern, taking into account expected cashflows and the ability to source funding from other group companies, controlling parties and external parties. On this basis the directors consider it appropriate to adopt the going concern basis.

3.2 Basis of consolidation

The group financial statements consolidate the financial statements of Britannia Hotels Limited and its material subsidiary undertakings (note 16) drawn up to the end of March each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Notes to the financial statements

For the year ended 31 March 2016

3.3 Intangible assets – Goodwill

The goodwill in the group accounts arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired has been capitalised and written off on a straight line basis over three years and ten years respectively.

3.4 Intangible assets - Chief rents

Chief rents created are capitalised on the basis of 3 - 5 times the annual amounts receivable. No amortisation is provided on chief rents capitalised, as the amount involved would not be significant.

3.5 Tangible fixed assets

Tangible fixed assets are stated at cost or valuation net of depreciation and any provisions for impairment.

No depreciation is provided on freehold hotel properties or hotel properties with leases of twenty years or more to run at the balance sheet date or plant, machinery, fixtures and fittings. It is the group's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time. 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. Moreover, whilst the initial costs incurred on extensive repair and refurbishment programmes are capitalised, those in respect of items subsequently replaced are written off to the profit and loss account as incurred. Any deficits are charged in the profit and loss account except where the asset has in the past been revalued, when the deficit is charged to the revaluation reserve.

Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of assets over their expected useful lives as follows:

Motor vehicles	25% per annum reducing balance basis.
Plant & machinery etc	33% per annum straight line basis

3.6 Investments

Fixed asset investments are shown at cost less provision for impairment.

3.7 Stocks

Stocks including development properties held for resale, are stated at the lower of cost and net realisable value.

3.8 Current and deferred taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the financial statements

For the year ended 31 March 2016

3.8 Current and deferred taxation (continued)

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3.9 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.

3.10 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 effective interest method.

3.11 Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover in respect of accommodation is recognised overnight during each night the customer stays whilst other sales, including restaurant and bar revenue, are recognised at the point of purchase. Rental income and Management Service income are recognised in the period in which they are earned.

Notes to the financial statements

For the year ended 31 March 2016

3.12 Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

3.13 Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount the obligation.

Long-term provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The present value of long-term provisions are determined by discounting the expected future cash flows at an appropriate pre-tax rate that reflects current market assessment of the time value of money and where appropriate, the risks specific to the liability.

3.14 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. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

3.15 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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 out-right 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.

Notes to the financial statements

For the year ended 31 March 2016

3.15 Financial instruments (continued)

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 Group 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.

3.16 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.

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

Preparation of the financial statements require management to make significant judgments and estimates. The items in the financial statements where there are estimates and judgements made include:

- Bad debt provision
- Insurance provisions
- Onerous lease provision
- Asbestos provision
- Hotel property valuation

Notes to the financial statements

For the year ended 31 March 2016

5 Turnover

	2016 £'000	2015 £'000
Area of activity:		
Hoteliers	73,099	69,682
Hotel management services	10,880	9,223
Rental income	126	112
	<u>84,105</u>	<u>79,017</u>

All turnover arose from activity in the UK. Activities are regarded as one class of business.

6 Other operating expenses

	2016 £'000	2015 £'000
Distribution expenses	5,550	5,491
Administrative expenses - onerous lease provision (note 21)	(305)	1,797
Administrative expenses – other	16,200	29,536
	<u>21,445</u>	<u>36,824</u>

7 Interest payable and similar charges

	2016 £'000	2015 £'000
Bank loans and overdrafts	<u>906</u>	<u>963</u>

8 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2016 £'000	2015 £'000
Depreciation	-	17
Amortisation of goodwill	839	839
Provision in respect of onerous leases	(305)	1,797
Operating lease rentals	1,058	1,167
Auditor's remuneration for audit services		
- for audit of these financial statements	27	24
- for audit of subsidiary financial statements	10	10
	<u></u>	<u></u>

Notes to the financial statements

For the year ended 31 March 2016

9 Staff costs

The average monthly number of employees (including executive directors) was:

	2016 Number	2015 Number
Office and management	172	149
Directors	3	3
Direct workers	1,836	1,743
	2,011	1,895

	2016 £'000	2015 £'000
--	-----------------------	-----------------------

Their aggregate remuneration comprised:

Wages and salaries	21,016	19,055
Social security costs	939	889
	21,955	19,944

10 Directors' remuneration, interests and transactions

The total amounts for key management personnel remuneration was as follows:

	2016 £'000	2015 £'000
Emoluments	221	198
Emoluments in respect of the highest paid director	221	198

Notes to the financial statements

For the year ended 31 March 2016

11 Tax on profit on ordinary activities

The tax charge comprises:

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Current tax		
UK corporation tax on profits for the period	3,209	2,473
Adjustment in respect of previous periods	(51)	397
Total current tax	3,158	2,870
Deferred tax		
Effect of changes in tax rates	(904)	1
Origination and reversal of timing differences	2,421	528
Adjustment in respect of previous periods	(29)	100
Total deferred tax (see note 21)	1,488	629
Total tax on profit on ordinary activities	4,646	3,499

The charge for the year/period can be reconciled to the profit per the income statement as follows:

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Profit for the year/period – continuing operations	33,297	14,229
Tax on profit at standard UK tax rate of 20% (2015: 21%).	6,659	2,988
Effects of:		
Expenses not deductible	7	74
Income not taxable	(2,675)	7
Gains/rollover relief	1,986	-
Adjustment from previous periods	(79)	498
Tax rate changes	(890)	-
Movements on deferred tax not recognised	(362)	(68)
Tax charge for the period	4,646	3,499

Notes to the financial statements

For the year ended 31 March 2016

11 Tax on profit on ordinary activities (continued)

Deferred tax – rate changes

Finance Act 2016, which was substantively enacted in September 2016 included provisions to reduce the rate of corporation tax to 17% with effect from 1 April 2020. As this legislation was not substantively enacted as at year end the impact of the rate change is not reflected in the tax provisions reported in these accounts. Finance Act 2015 (No.2), which was substantively enacted in October 2015, included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 18% from 1 April 2020. Accordingly, deferred tax balances have been revalued to the lower rate of 18% in these accounts.

12 Profit attributable to Britannia Hotels Limited

The profit after tax for the financial year dealt within the financial statements of the parent company, Britannia Hotels Limited, was £11,870,000 (2015 – £2,332,000). As permitted by Section 408 of the Companies Act 2006, no separate statement of comprehensive income is presented in respect of the parent company.

13 Intangible fixed assets - chief rents

Group and company

**Chief rents
capitalised
£'000**

Cost and net book value

At 1 April 2015 and 31 March 2016

33

14 Intangible fixed assets - Goodwill

Group

**Goodwill
£'000**

Cost

At 1 April 2015 and at 31 March 2016

3,748

Amortisation

At 1 April 2015

2,447

Charge for the year

839

At 31 March 2015

3,286

Net book value

At 31 March 2016

462

At 31 March 2015

1,301

Notes to the financial statements

For the year ended 31 March 2016

14 Intangible fixed assets – Goodwill (continued)

	Goodwill £'000
Company	
Cost	
At 1 April 2015 and at 31 March 2016	1,273
Amortisation	
At 1 April 2015	802
Charge for the year	402
At 31 March 2016	1,204
Net book value	
At 31 March 2016	69
At 31 March 2015	471

15 Tangible fixed assets

	Freehold land, and buildings £'000	Leasehold improvements £'000	Long leasehold land and buildings £'000	Plant, machinery, fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Group						
Cost or valuation						
At 1 April 2015	69,220	358	53,579	40,267	79	163,503
Additions	9,958	-	-	5,645	24	15,627
Disposals	(89)	-	-	-	(22)	(111)
At 31 March 2016	79,089	358	53,579	45,912	81	179,019
Depreciation						
At 1 April 2015	9,040	-	-	289	62	9,391
Charge for the year	-	-	-	-	14	14
On disposals	-	-	-	-	(20)	(20)
At 31 March 2016	9,040	-	-	289	56	9,385
Net book value						
At 31 March 2016	70,049	358	53,579	45,623	25	169,634
At 31 March 2015	60,180	358	53,579	39,978	17	154,112

The freehold land and buildings additions relate to the purchase of 3 hotels during the year; The Bassingstoke Country Hotel, The Palace Hotel Buxton and The Trecarn in Torquay.

Notes to the financial statements

For the year ended 31 March 2016

15 Tangible fixed assets (continued)

Company	Long leasehold land, buildings £'000	Freehold land, buildings and improvements £'000	Plant, machinery fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 April 2015	53,580	57,218	36,750	79	147,627
Additions	-	6,351	3,729	24	10,104
Disposals	-	(89)	-	(22)	(111)
Transfers in	-	-	-	-	-
At 31 March 2016	<u>53,580</u>	<u>63,480</u>	<u>40,479</u>	<u>81</u>	<u>157,620</u>
Depreciation					
At 1 April 2015	-	4,000	-	62	4,062
Charge for the year	-	-	-	14	14
On disposals	-	-	-	(20)	(20)
At 31 March 2016	<u>-</u>	<u>4,000</u>	<u>-</u>	<u>56</u>	<u>4,056</u>
Net book value					
At 31 March 2016	<u>53,580</u>	<u>59,480</u>	<u>40,479</u>	<u>25</u>	<u>153,564</u>
At 31 March 2015	<u>53,580</u>	<u>53,218</u>	<u>36,750</u>	<u>17</u>	<u>143,565</u>

The company has adopted FRS 102 (section 35.10) and has followed the transitional provisions to retain the revalued amount of certain land and build

Notes to the financial statements

For the year ended 31 March 2016

15 Tangible fixed assets (continued)

Company

If land and buildings and plant, machinery, fixtures and fittings had not been revalued, they would have been included at the following amounts:

	2016		2015	
	Freehold Land, buildings and improvements £'000	Plant, machinery, fixtures and fittings £'000	Freehold land, buildings and improvements £'000	Plant, machinery, fixtures and fittings £'000
Cost and net book value	73,208	31,158	73,208	31,158

16 Fixed asset investments

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Subsidiary undertakings	-	-	2,000	2,000

Company

The parent company has investments in the following subsidiary undertakings which principally affected the results or net assets of the group.

	Country of incorporation or principal business address	Principal activity	Holding of ordinary shares %
Ambassador Hotels (Bournemouth) Limited	England and Wales	Holding company	100
Ambassador (East Cliff) Limited	England and Wales	Hoteliers	100
Britannia Centre Limited	England and Wales	Property	100

All of the subsidiaries are directly owned by Britannia Hotels Limited, apart from Ambassador (East Cliff) Limited. Britannia Hotels Limited has a direct holding of 5% in Ambassador (East Cliff) Limited and an indirect holding of 100% by virtue of the fact that Ambassador Hotels (Bournemouth) Limited holds the other 95%.

Notes to the financial statements

For the year ended 31 March 2016

17 Stocks

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Development properties	2,572	2,572	2,572	2,572
Wet stocks	437	383	389	343
Food stocks	296	264	254	237
Other	-	100	-	94
	3,305	3,319	3,215	3,246

Stock recognised in cost of sales during the year as an expense was £6,571,000 (2015: £4,327,000).

18 Debtors

	Group		Company	
	2016	2015	2016	<i>restated</i> 2015
	£'000	£'000	£'000	£'000
Amounts owed by group undertakings	-	-	12,900	16,633
Other debtors (note 25)	21,754	19,482	12,276	17,919
Unpaid share capital	5	5	4	4
Corporation tax	-	-	-	-
	21,759	19,487	25,180	34,556

19 Creditors: Amounts falling due within one year

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Bank overdrafts	-	-	-	1,228
Other loans (note 25)	-	80	-	80
Amounts owed to group undertakings (note 25)	-	-	64,854	59,190
Other taxation and social security	1,508	1,426	706	1,325
Other creditors (note 25)	4,274	1,773	1,383	1,984
Corporation tax	2,278	122	3,159	124
	8,060	3,401	70,102	63,931

Overdrafts for the group and for the company are secured on the assets of the Company

Notes to the financial statements

For the year ended 31 March 2016

20 Bank loans

Bank loans are repayable as follows:

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Bank loans				
Between one and two years	2,080	2,536	2,080	2,536
Between two and five years	5,281	7,608	5,281	7,608
After five years	-	870	-	870
	7,361	11,014	7,361	11,014
On demand or within one year	2,160	2,536	2,160	2,536
	9,521	13,550	9,521	13,550

A bank loan with Svenska Handelsbanken of £2,791,547 (2015 - £5,849,884) is secured by a fixed charge on the Company's Bosworth Hall Hotel. The interest rate on the loan is linked to the base rate and will incur interest at 0.75% above base rate.

A bank loan with Royal Bank of Scotland of £6,650,000 (2015 – £7,700,000) is secured by a fixed charge on the assets of the Company and on those of Britannia Adelphi Hotel Limited. The interest rate on the loan is linked to the London Inter-Bank Offer rate.

21 Provisions for liabilities

Group	Deferred taxation £'000	Onerous lease £'000	Total £'000
At 1 April 2015	6,646	22,617	29,262
Charged to profit and loss account	1,488	(304)	1,184
At 31 March 2016	8,134	22,312	30,446

Notes to the financial statements

For the year ended 31 March 2016

21 Provisions for liabilities and charges (continued)

Company

	Deferred taxation £'000	Onerous lease £'000	Total £'000
At 1 April 2015	6,378	22,619	28,997
Charged to profit and loss account	1,412	(305)	1,107
At 31 March 2016	<u>7,790</u>	<u>22,314</u>	<u>30,104</u>

Deferred tax (assets)/liabilities:

	2016 £'000	2015 £'000
Provision at start of period	6,378	1,909
Adjustment in respect of prior years	(28)	97
Deferred tax charge to income statement for the period	1,439	469
Movement arising from the acquisition or disposal of business	-	3,903
Provision at the end of the period	<u>7,789</u>	<u>6,378</u>

Fixed asset timing differences	8,419	6,958
Short term timing differences	(585)	(580)
Losses	(44)	-
	<u>7,790</u>	<u>6,378</u>

Deferred tax (assets)

Recoverable after 12 months	(629)	(580)
	<u>(629)</u>	<u>(580)</u>

Deferred tax (assets)/liabilities:

Payable after 12 months	8,419	6,958
	<u>8,419</u>	<u>6,958</u>

Notes to the financial statements

For the year ended 31 March 2016

21 Provisions for liabilities and charges (continued)

Group

	2016	2015
	£'000	£'000
Provision at start of period	6,646	4,952
Adjustment in respect of prior years	(29)	100
Deferred tax charge to I/S for the period	1,517	529
Deferred tax charge in OCI for the period	-	1,053
Movement on acquisition/disposal of business	-	12
Provision at the end of the period	<u>8,134</u>	<u>6,646</u>
	£'000	£'000
Fixed asset timing differences	8,763	7,022
Short term timing differences	(585)	(650)
Losses	(44)	(332)
DT not provided	-	606
	<u>8,134</u>	<u>6,646</u>
Deferred tax assets		
Recoverable after 12 months	<u>(629)</u>	-
	<u>(629)</u>	-
Deferred tax liabilities		
Payable after 12 months	<u>8,763</u>	<u>6,646</u>
	<u>8,763</u>	<u>6,646</u>

Onerous lease

Provision has for two hotel leases, where the directors do not believe they will make a positive contribution over the periods of the leases. The provision has been made by reference to the estimated present value of future contractual payments, reduced (where applicable) by the estimated contribution from trading activities at these hotels. The future payments have been discounted at a rate of 4.2% (2015 – 3.9%). The choice of discount rate reflects the directors' estimate of risk attached to such payments. The principal uncertainties relating to the calculation of the provision are the levels of future trading and movements in discount rates. The provisions are expected to be utilised over the remaining period of the lease.

Notes to the financial statements

For the year ended 31 March 2016

22 Called-up share capital

	2016 £'000	2015 £'000
Group and Company		
<i>Authorised</i>		
30,000 (2015 – 30,000) ordinary shares of £1 each	<u>30</u>	<u>30</u>
<i>Allotted, called-up and fully-paid</i>		
30,000 (2015 – 30,000) ordinary shares of £1 each	<u>30</u>	<u>30</u>

23 Reserves

Profit and loss account included all current and prior year retained profit and losses.

Called up share capital represents the nominal value of shares that have been issued.

Revaluation reserve represents the increase in the fair value of properties.

Other reserve represents the acquisition of two entities in a share for share exchange on 1 April 2009.

24 Financial commitments under operating leases

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2016 Land and buildings £'000	2015 Land and Buildings £'000
Group		
Expiry date		
- Under 1 year	1,008	1,008
- 2 to 5 years	4,030	4,030
- after five years	67,457	68,464

Notes to the financial statements

For the year ended 31 March 2016

25 Related party transactions

During the year, the group entered into transactions with various businesses in which the shareholders, A. Langsam and Hawksford Trust Company Jersey Limited as trustee of The Moravcik Trust and/or directors, are materially interested as detailed below:

Company	Nature of entity	Interested as shareholder	Interested as director
Britannia Jinky Jersey Limited	Limited Company	A Langsam	A Langsam
Britannia Hotels (Fylde) Limited	Limited Company	A Langsam	A Langsam
A. Langsam Hoteliers	Unincorporated sole trader	A. Langsam	
A. Langsam Estate Agents	Unincorporated sole trader	A. Langsam	
St Peter's Court (Bosworth) Flat Management Company Limited	Limited Company	A. Langsam	

The company and group have taken advantage of the exemption under FRS 102 (section 33) whereby wholly owned subsidiaries need not disclose related party transactions with group companies for which consolidated financial statements have been prepared.

Included in other debtors/(creditors) are the following balances:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
A. Langsam Hotelier	7,413	14,571	-	14,567
A. Langsam Estate Agents	31	564	31	565
A. Langsam	-	(80)	-	(80)
St Peter's Court (Bosworth) Flat Management Company Limited	7	(14)	(7)	(14)
Britannia Jinky Jersey Limited	(5,298)	1,596	(5,292)	1,596
Britannia Hotels (Fylde) Limited	1,023	(1,113)	1,023	(1,112)
Britannia Hotels Payroll Limited	2,302	1,071	2,302	1,080
Britannia Hotels No.2 Limited	13,041	1,591	13,373	(250)

Notes to the financial statements

For the year ended 31 March 2016

25 Related party transactions (continued)

During the year the group had the following transactions with related parties:

Entity	2016		2015	
	Charged to/(by)		Charged to/(by)	
	£'000	£'000	£'000	£'000
A. Langsam - Hotelier	4,347	-	3,119	-
Britannia Jinky Jersey Limited	79	(552)	230	-
Britannia Hotels (Fylde) Limited	3	(7)	407	(2)
Britannia Hotels No.2 Limited	651	(7,206)	10,179	(15,578)
Britannia Hotels Payroll Ltd	33	-	-	-
	<u>33</u>	<u>-</u>	<u>-</u>	<u>-</u>

During the year the company had the following transactions with related parties:

Entity	2016		2015	
	Charged to/(by)		Charged to/(by)	
	£'000	£'000	£'000	£'000
A. Langsam - Hotelier	4,343	-	85	-
Britannia Jinky Jersey Limited	79	(546)	567	-
Britannia Hotels (Fylde) Limited	3	(7)	61	(2)
Britannia Hotels No.2 Limited	639	(6,316)	2,221	(6,059)
Britannia Hotels Payroll Ltd	33	-	-	-
	<u>33</u>	<u>-</u>	<u>-</u>	<u>-</u>

Other movements in the balances shown above relate to their settlement in the year. Transactions with related parties are presented on a net basis where they relate to transactions that are similar in nature.

Management determine that key management personnel are the directors of the Company whose remuneration is disclosed in note 10.

Transactions with other related parties are not considered to be material.

26 Ultimate controlling party

The ultimate controlling parties are A. Langsam and Hawksford Trust Company Jersey Limited as trustee of The Moravcik Trust by virtue of their shareholdings in the company

Notes to the financial statements

For the year ended 31 March 2016

27 Financial assets and liabilities

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Financial assets measured at amortised cost through profit or loss	24,143	3,886	27,246	4,724
Financial assets that are debt instruments at amortised cost	21,759	19,487	25,180	34,556
Financial liabilities measured at amortised cost	8,161	3,401	70,102	63,931

Financial assets measure at amortised cost comprise of cash and debtors.

Financial liabilities measured at amortised cost comprise of loans and creditors.

28 First time adoption of FRS 102

The Company has adopted FRS 102 for the year ended 31st March 2016 and has restated the comparative prior year amounts.

Group	Note	As previously stated 1 April 2014 £'000	Effect of transition 1 st April 2014 £'000	FRS 102 (as restated) 1 st April 2014 £'000	As previously stated 31 st March 2015 £'000	FRS 102 (as restated) 1 st March 2015 £'000	FRS 102 (as restated) 1 st March 2015 £'000
Fixed assets		143,849	-	143,849	155,446	-	155,446
Current assets		138,415	-	138,415	31,380	-	31,380
Creditors: amounts falling due within one year		(57,719)	-	(57,719)	(13,917)	-	(13,917)
Net current assets		80,696	-	80,696	17,463	-	17,463
Total assets less current liabilities		224,545	-	224,545	172,909	-	172,909
Creditors: amounts due over one year		(113,782)	-	(113,782)	(105,173)	-	(105,173)
Provisions for liabilities	1	(22,233)	(3,540)	(25,773)	(24,250)	(5,012)	(29,262)
Net assets		88,530	(3,540)	84,990	105,173	(5,012)	100,161
Capital and reserves	1, 2	88,530	(3,540)	84,990	105,173	(5,012)	100,161

Notes to the financial statements

For the year ended 31 March 2016

28 First time adoption of FRS 102 (continued)

Company	Note	As previously stated 1 April 2014	Effect of transition 1 st April 2014	FRS 102 (as restated) 1 st April 2014	As previously stated 31 st March 2015	FRS 102 (as restated) 1 st March 2015	FRS 102 (as restated) 1 st March 2015
		£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets		89,639	-	89,639	146,069	-	146,069
Current assets	1,2	150,002	-	150,002	43,643	3,490	47,133
Creditors: amounts falling due within one year		(81,356)	-	(81,356)	(74,139)	-	(74,139)
Net current assets		68,356	-	69,862	(30,496)	-	(27,006)
Total assets less current liabilities		158,285	-	158,285	115,573	-	119,063
Creditors: amounts due over one year		(113,782)	-	(113,782)	(43,486)	-	(43,486)
Provisions for liabilities	1	(1,122)	(787)	(1,909)	(24,371)	(4,626)	(28,997)
Net assets		43,381	(787)	42,594	47,716	(1,136)	46,580
Capital and reserves	1, 2	43,381	(787)	42,594	47,716	(1,136)	46,580

Notes to the financial statements

For the year ended 31 March 2016

Group

	Note	As previously stated 31 st March 2015 £'000	Effect of transition £'000	FRS 102 (as restated) 31 st March 2015 £'000
Turnover		79,017	-	79,017
Cost of sales		(27,004)	-	(27,004)
Gross profit		52,013	-	52,013
Other operating expenses		(36,824)	-	(36,824)
Operating profit		15,189	-	15,189
Finance charges		(960)	-	(960)
Profit on ordinary activities before taxation		14,229	-	14,229
Taxation	1	(3,081)	(418)	(3,499)
Profit on ordinary activities after taxation		11,148	(418)	10,730

Explanation of changes to previously reported figures:

1. Discounting of deferred tax is not permitted under FRS 102 and this has therefore resulted in an increase in the deferred tax liability. This adjustment also includes a deferred adjustment for the revaluation of properties, see note below. The original group deferred tax liability was £1,633,496 which has been restated to a revised opening deferred tax liability of £6,645,509 under FRS 102. The original company deferred tax liability was £1,752,355 which has been restated to a revised opening deferred tax liability of £6,378,069 under FRS 102.
2. Under FRS 102 a deferred tax liability is required to be brought onto the balance sheet for properties that are held at fair value, calculated with reference to the tax that will arise on the sale of the property. One property showed that a chargeable gain would arise on the sale, therefore a group deferred tax liability of £3,138,553 has been recognised. This adjustment has been made to intercompany and therefore has no profit and loss impact.

Notes to the financial statements

For the year ended 31 March 2016

29 Contingent liabilities

Company

	2016 £'000	2015 £'000
Britannia Hotel Leeds Limited	-	933
Britannia Hotel Bolton Limited	-	32
Britannia Country House Hotel Limited	-	298

In the prior year the company guaranteed to the Royal Bank of Scotland plc the borrowings of Britannia Adelphi Hotel Limited, Birmingham International Limited, Britannia Hotel Leeds Limited, Britannia Hotel Bolton Limited, Britannia Country House Hotel Limited, Ambassador (East Cliff) Limited and Britannia Hotel Wolverhampton Limited

There were no capital commitments as at 31 March 2016 (2015: none).