

Chester International Hotel Limited

Annual report and financial statements

Year ended 31 December 2016

Company registration number: 01999608

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Chester International Hotel Limited

Annual report and financial statements

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Chester International Hotel Limited

Directors and other information

Directors

C Kula
J Bradley

Company secretary

Oakwood Corporate Services Limited
Third Floor
1 Ashley Road
Altrincham
Cheshire
WA14 2DT

Registered office

Queens Court
9-17 Eastern Road
Romford
Essex
RM1 3NG

Auditor

KPMG
Chartered Accountants
Stokes House
17/25 College Square East
Belfast
BT1 6DH

Registered number

01999608

Chester International Hotel Limited

Strategic report

The directors present their strategic report for the year ended 31 December 2016.

Principal activity

The principal activity of the Company is the ownership and management of a hotel.

Business review

The results for the year are set out in the statement of profit and loss and other comprehensive income on page 8 and the related notes.

Turnover increased by £394k (6%) in the year to December 2016, with operational profit increasing from £1,198k (19% operational profit margin) to £1,531k in 2016 (23% operational profit margin).

The Company's hotel asset, which is carried at fair value was valued, in December 2016 by CBRE resulting in the recognition of an increase in value of £4.9 million which has been recognised in other comprehensive income.

The company remained in a net asset position at the year end.

Principal risks and uncertainties

The Company is a subsidiary of Bryant Park Hospitality Limited and as such, the principal risks and uncertainties of the Company are the same as those facing the wider Group.

The management of the Group's business and execution of the Group's strategy are subject to a number of risks. The key risks and uncertainties currently judged to have the greatest impact on the Group's performance include:

- Employee retention;
- Competition from other hotels;
- Fluctuations in property valuations; and
- Other market risks – hotels may be adversely impacted by changes in or failure to comply with regulations. The hotels operate under franchise agreements which require adherence to quality standards and criteria.

Financial risk management

The Company's operations expose it to a variety of financial risks which include liquidity and credit risk. Working capital requirements are financed with retained earnings and borrowings from other Group companies. Credit risk is managed via a formal credit policy.

Given the size of the Company and wider Group, the directors have not delegated responsibility for monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Group's finance department.

Key performance indicators

The directors are of the opinion that analysis using KPIs assists with their understanding of the development, performance and position of the business. Key performance indicators used by management include occupancy statistics, average daily rates, revenue per available room and operating margins. Such indicators are not presented as the directors consider their disclosure to be prejudicial to the Company's interests.

Chester International Hotel Limited

Strategic report *(continued)*

Future outlook

Competition in the marketplace remains strong, however the directors consider both the results for the year and trading prospects to be satisfactory. It is the directors' intention to continue to develop the present activities of the Company and wider Group.

On behalf of the board



C Kula
Director

30 June 2017

Chester International Hotel Limited

Directors' report

The directors present their report for the year ended 31 December 2016.

Dividends

No dividends were paid in the year (2015: £nil).

Directors

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

J Braidley
D Arzi (resigned 23 May 2017)
C Kula (appointed 23 May 2017)

Political donations

The Company made no political donations during the year (2015: £nil).

Financial instruments

The Company is exposed to credit and cash flow risks associated with selling on credit and manages this risk through its credit policy. This policy is to finance working capital requirements with retained earnings and borrowings from other Group companies.

Employee involvement

A formal employee representative is elected at each hotel which enables the Group to have a formal vehicle through which it can communicate and consult with employees. Ongoing effort is made to keep employees informed via an online communications hub, regular team briefings and employee engagement surveys.

Employees with disabilities

The Company recognises its obligations towards people with disabilities and its policy is to encourage and assist the employment of people with disabilities, having regard to the demands of the Company's operations and abilities to fulfil such demands. If existing employees become disabled, reasonable adjustments are made to allow appropriate work to be carried out and any necessary training provided. Employees with disabilities are encouraged and assisted in developing their careers and skills within the Company.


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 they ought to have taken as a director to make themselves 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, the auditor will be deemed to be reappointed and KPMG will therefore continue in office.

On behalf of the board


C Kula
Director

30 June 2017

Chester International Hotel Limited

Statement of directors' responsibilities in respect of the Strategic Report, the 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, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company and of its profit or loss for that year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the board



C Kula
Director



KPMG
Audit
Stokes House
17-25 College Square East
Belfast BT1 6DH
Northern Ireland

Independent auditor's report to the members of Chester International Hotel Limited

We have audited the financial statements ("financial statements") of Chester International Hotel Limited for the year ended 31 December 2016 which comprise the statement of profit and loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

In our opinion, the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

2 Our conclusions on other matters on which we are required to report by the Companies Act 2006 are set out below

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.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Director's Report:

- we have not identified material misstatements in those reports; and
- in our opinion, these reports have been prepared in accordance with the Companies Act 2006.

3 We have nothing to report in respect of matters on which we are required to report by exception

ISAs (UK & Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 respect of the above responsibilities.



Independent auditor's report to the members of Chester International Hotel Limited *(continued)*

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities 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 and otherwise comply with the Companies Act 2006. Our responsibility is to audit and express an opinion on the financial statements in accordance with UK law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of accounting and reporting.

Our 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.

Colm O'Sé (Senior Statutory Auditor)
for and on behalf of KPMG, Statutory Auditor
Chartered Accountants
Stokes House
17-25 College Square East
Belfast
BT1 6DH

30 June 2017

Chester International Hotel Limited

Statement of profit and loss and other comprehensive income for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Revenue	2	6,619	6,225
Cost of sales	3	(2,486)	(2,385)
Gross profit		4,133	3,840
Administrative expenses		(2,602)	(2,642)
Operating profit	5	1,531	1,198
Profit before taxation		1,531	1,198
Taxation	6	314	--
Profit for the year		1,845	1,198
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of property, plant and equipment	7	4,919	172
Other comprehensive income for the year, net of tax		4,919	172
Total comprehensive income for the year		6,764	1,370

The notes on pages 13 to 26 form an integral part of these financial statements.

Chester International Hotel Limited

Statement of financial position as at 31 December 2016

	Note	2016 £'000	2015 £'000
Assets			
Non-current assets			
Property, plant and equipment	7	22,700	18,200
Deferred tax assets	12	314	-
Total non-current assets		23,014	18,200
Current assets			
Inventories	8	25	51
Trade and other receivables	9	21,381	8,150
Cash and cash equivalents	10	2	2
Total current assets		21,408	8,203
Total assets		44,422	26,403
Equity			
Share capital	13	5,500	5,500
Revaluation reserve		14,472	9,553
Retained earnings		8,776	6,931
Total equity		28,748	21,984
Liabilities			
Current liabilities			
Trade and other payables	11	15,674	4,419
Total current liabilities		15,674	4,419
Total liabilities		15,674	4,419
Total equity and liabilities		44,422	26,403

These financial statements were approved by the board of directors on 30 June 2017 and signed on its behalf by:


C Kula
Director

Company registration number: 01999608

The notes on pages 13 to 26 form an integral part of these financial statements.

Chester International Hotel Limited

Statement of changes in equity for the year ended 31 December 2016

	Share capital £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2016	5,500	9,553	6,931	21,984
Comprehensive income				
Profit for the financial year			1,845	1,845
<i>Other comprehensive income:</i>				
Revaluation of property, plant and equipment		4,919		4,919
Total comprehensive income for the year		4,919	1,845	6,764
Balance at 31 December 2016	5,500	14,472	8,776	28,748

The notes on pages 13 to 26 form an integral part of these financial statements.

Chester International Hotel Limited

Statement of changes in equity (continued) for the year ended 31 December 2015

	Share capital £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2015	5,500	9,381	5,733	20,614
Comprehensive income				
Profit for the financial year	-	-	1,198	1,198
<i>Other comprehensive income:</i>				
Revaluation of property, plant and equipment	-	172	-	172
Total comprehensive income for the year		172	1,198	1,370
Balance at 31 December 2015	5,500	9,553	6,931	21,984

The notes on pages 13 to 26 form an integral part of these financial statements.

Chester International Hotel Limited

Cash flow statement

for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Profit for the year		1,845	1,198
<i>Adjustments for:</i>			
Depreciation and amortisation		422	448
Taxation		(314)	-
		<u>1,953</u>	<u>1,646</u>
Increase in trade and other receivables		(13,231)	(1,586)
Decrease/(increase) in inventories		26	(23)
Increase in trade and other payables		<u>11,255</u>	<u>160</u>
Net cash from operating activities		<u>3</u>	<u>197</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	7	(3)	(197)
Net cash from investing activities		<u>(3)</u>	<u>(197)</u>
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		<u>2</u>	<u>2</u>
Cash and cash equivalents at 31 December	10	<u>2</u>	<u>2</u>

The notes on pages 13 to 26 form an integral part of these financial statements.

Chester International Hotel Limited

Notes

(forming part of the financial statements)

1 Accounting policies

Chester International Hotel Limited ("the Company") is a company incorporated and domiciled in the United Kingdom.

The Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

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 as follows:

- Estimation of fair value of property assets

These financial statements are presented in £GBP, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise stated.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except for property assets which are stated at fair value.

Certain of the Company's accounting policies and disclosures require the measurement of fair values. When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

1.2 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 2 and 3.

The external commercial environment is expected to remain competitive, however the directors remain confident that they will increase activities and improve current levels of performance in the future.

After making enquiries the directors have a reasonable expectation that the Company, based on forecasted cash flows, will have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Chester International Hotel Limited

Notes (continued)

1 Accounting policies (continued)

1.3 Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, with the exception of land and buildings which are stated at fair value.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated 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, less accumulated depreciation and less accumulated impairment losses.

Chester International Hotel Limited

Notes (continued)

1 Accounting policies (continued)

1.5 Property, plant and equipment (continued)

Depreciation is charged to the statement of profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Buildings over 35 to 60 years
- Fixtures and fittings over 4 to 7 years
- Plant and equipment over 3 to 15 years

Depreciation methods, useful lives and residual values are reviewed at each statement of financial position date.

Land and buildings are revalued by qualified valuers on a sufficiently regular basis using open market value (which reflects a highest and best use basis) so that the carrying value of an asset does not materially differ from its fair value at the reporting date. External revaluations of the Group's land and buildings have been carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards and IFRS 13. Surpluses on revaluation are recognised in other comprehensive income and accumulated in equity in the revaluation reserve, except to the extent that they reverse impairment losses previously charged to profit or loss, in which case the reversal is recorded in profit or loss. Decreases in value are charged against other comprehensive income and the revaluation reserve to the extent that a previous gain has been recorded there, and thereafter are charged through profit or loss.

1.6 Inventories

Inventories are stated at the lower of cost and net realisable value.

1.7 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

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. Interest on the impaired asset continues to be recognised through the unwinding of the discount. 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 inventories 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.

Chester International Hotel Limited

Notes (continued)

1.8 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of profit and loss in the periods during which services are rendered by employees.

1.9 Revenue

Revenue represents sales (excluding VAT) of goods and services net of discounts provided in the normal course of business and is recognised when services have been rendered.

Revenue is derived from hotel operations and includes the rental of rooms, food and beverage sales, and leisure centre sales and membership. Revenue is recognised when rooms are occupied and food and beverages are sold. Leisure centre membership revenue is recognised over the life of the membership.

1.10 Expenses

Operating lease payments

Payments made under operating leases are recognised in the statement of profit and loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

1.11 Taxation

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

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 statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Chester International Hotel Limited

Notes (continued)

1 Accounting policies (continued)

1.12 Adopted IFRS not yet applied

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU.

There are a number of new standards, amendments to standards and interpretations effective for periods beginning 1 January 2017 or later with early application permitted, however the company has not early adopted any new or amended standards in preparing these financial statements.

The Company is reviewing the impact of the implementation of the following new standards, amendments to standards and interpretations, however they are not expected to have a significant impact on the financial statements:

	Effective date – periods beginning on or after*
Amendments to IAS 7: Disclosure Initiative	1 January 2017*
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017*
IFRS 9 Financial Instruments (issued 24 July 2014)	1 January 2018
Annual improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016)	1 January 2017 and 1 January 2018*
IFRS 15: Revenue from Contracts with customers	1 January 2018
IFRS 16: Leases (issued on 13 January 2016)	1 January 2019*

* Not EU endorsed

2 Revenue

	2016 £'000	2015 £'000
Provision of hotel services and supply of goods	6,619	6,225
Total revenue	6,619	6,225

All revenue derives from the Company's principal activity which is carried out in the United Kingdom.

Chester International Hotel Limited

Notes (continued)

3 Staff numbers and costs

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

	2016 No.	2015 No.
Management, sales and administration staff	87	78

The aggregate payroll costs of these persons were as follows:

	2016 £'000	2015 £'000
Wages and salaries	1,450	1,334
Social security costs	90	88
Contributions to defined contribution plans	30	40
	1,570	1,462

4 Directors' remuneration

The directors did not receive any emoluments for services provided to the Company during the year (2015: £nil).

5 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2016 £'000	2015 £'000
Depreciation of tangible fixed assets:		
- owned by the Company	328	356
- leased by the Company	94	92
Operating lease rentals:		
- land and buildings	90	90

Auditor remuneration is borne by Bryant Park Hospitality UK Limited, a fellow group undertaking.

Chester International Hotel Limited

Notes (continued)

6 Taxation	2016 £'000	2015 £'000
------------	---------------	---------------

(a) Income tax recognised in profit and loss

Current tax expense

Current year

Adjustments in respect of prior years

-	-
-	-
<hr/>	<hr/>

Deferred tax expense

Origination and reversal of temporary differences

Impact of change in tax rates

Adjustments in respect of prior years

(314)	-
-	-
-	-
<hr/>	<hr/>

(314)

Tax (credit)/expense

(314)

(b) Income tax recognised in other comprehensive income

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

Revaluation of property, plant and equipment

-	-
<hr/>	<hr/>

(c) Reconciliation of effective tax rate

The current tax charge for the year is lower (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

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

Profit before tax

1,531 1,198

Tax using the UK corporation tax rate of 20%
(2015: 20.25%)

306 242

Effects of:

Expenses not deductible for tax purposes

14 21

Group relief received not paid for

(77) (334)

Deferred tax not recognised

(557) 71

Total tax (credit)/expense

(314)

Chester International Hotel Limited

Notes (continued)

6 Taxation (continued)

(d) Movement in deferred tax balances

	1 January 2016 £'000	Income statement £'000	31 December 2016 £'000
Elements of deferred tax			
Property, plant and equipment		(314)	(314)
Deferred tax asset		(314)	(314)

(e) Unrecognised deferred tax asset

The company has recognised a deferred tax asset in the amount of £314k in respect of accelerated capital allowances which reflects management's forecast of foreseeable taxable profits in the future to utilise these unclaimed capital allowances. The Company has not recognised a deferred tax asset in respect of the remaining accelerated capital allowances totalling £811k (2015: £1,410k). Subject to changes in tax legislation, the directors are not certain that there will be sufficient taxable profits arising in the foreseeable future to utilise these unclaimed allowances. The directors have concluded that there is currently insufficient evidence to support recognition of a deferred tax asset.

(f) Factors which may affect future tax charges

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted by Finance Act 2015. The Finance Act 2016 further reduced the 18% rate to 17% with effect from 1 April 2020, following substantive enactment on 6 September 2016. Together this will reduce the Company's future tax charge accordingly.

Chester International Hotel Limited

Notes (continued)

7 Property, plant and equipment	Long leasehold land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation			
Balance at 1 January 2015	16,757	6,270	23,027
Additions	-	197	197
Revaluations	80	-	80
Balance at 31 December 2015	16,837	6,467	23,304
Balance at 1 January 2016	16,837	6,467	23,304
Additions	-	3	3
Revaluations	4,825	-	4,825
Balance at 31 December 2016	21,662	6,470	28,132
Depreciation and impairment			
Balance at 1 January 2015	-	4,748	4,748
Depreciation charge for the year	92	356	448
Elimination of depreciation on revaluation	(92)	-	(92)
Balance at 31 December 2015	-	5,104	5,104
Balance at 1 January 2016	-	5,104	5,104
Depreciation charge for the year	94	328	422
Elimination of depreciation on revaluation	(94)	-	(94)
Balance at 31 December 2016	-	5,432	5,432
Net book value			
At 1 January 2015	16,757	1,522	18,279
At 31 December 2015	16,837	1,363	18,200
At 31 December 2016	21,662	1,038	22,700

The carrying value of land and buildings is stated after the elimination of depreciation on revaluation.

Included in land and buildings at 31 December 2016 is land with a carrying value of £7,365 (2015: £5,725) which is not depreciated.

Chester International Hotel Limited

Notes (continued)

7 Property, plant and equipment (continued)

At 31 December 2016 the property held by the Company was pledged as security for a senior loan held by BPH Finance Number 1 Limited which at 31 December 2016 amounted to £94,940,246 (2015: £98,752,500).

Measurement of fair values

The carrying value of land and buildings at 31 December 2016 reflects the results of a valuation exercise carried out in December 2016 by an independent external valuer, CBRE Limited, who the directors regard as having a recognised professional qualifications and recent experience in the location and type of property being valued. The external valuation was performed in accordance with the valuation standards of the Royal Institute of Chartered Surveyors and was informed by recent market transaction prices for similar properties.

The valuation technique adopted is discounted cash flow. Under this model, the present value of cash flows expected to be generated by the property over a 10 year period is calculated, taking into account projected net operating income and capital expenditure over that period, together with an assumed terminal value and associated disposal costs at the end of that period. The expected cash flows are discounted using a risk adjusted discount rate, reflective of the property, its quality and location. A discount rate of 9.25% was used for this purpose.

The directors consider the property to fall within the Level 3 fair value category under IFRS 13 based on unobservable inputs to the valuation model. Significant unobservable inputs include forecast net operating income, terminal value and costs, discount and capitalisation rates.

There is a positive relationship between net operating income and fair value, such that an increase in net operating income increases the property valuation. However, the relationship between discount/capitalisation rate and property values is inverse such that an increase in discount/capitalisation rate reduces the property valuation.

8 Inventories	2016 £'000	2015 £'000
Consumables	25	51
	<u>25</u>	<u>51</u>
	<u>25</u>	<u>51</u>
9 Trade and other receivables	2016 £'000	2015 £'000
Trade receivables	145	164
Amounts owed by group undertakings	20,945	7,928
Prepayments	40	65
Other receivables	251	(7)
	<u>21,381</u>	<u>8,150</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Chester International Hotel Limited

Notes (continued)

10 Cash and cash equivalents	2016 £'000	2015 £'000
Cash and cash equivalents per statement of financial position	<u>2</u>	<u>2</u>
Cash and cash equivalents per cash flow statement	<u>2</u>	<u>2</u>

11 Trade and other payables	2016 £'000	2015 £'000
<i>Current liabilities</i>		
Trade payables	68	150
Amounts owed to group undertakings	15,199	3,849
Accrued expenses	310	340
Deferred income	94	78
Non-trade payables	3	2
	<u>15,674</u>	<u>4,419</u>

Amount owed to group undertakings are unsecured, interest free and repayable on demand.

12 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 31 Dec 2016 £'000	31 Dec 2015 £'000	Liabilities 31 Dec 2016 £'000	31 Dec 2015 £'000	Net 31 Dec 2016 £'000	31 Dec 2015 £'000
Property, plant and equipment	<u>314</u>				<u>314</u>	
Tax assets Offset	<u>314</u>				<u>314</u>	
Net tax assets	<u>314</u>				<u>314</u>	

Chester International Hotel Limited

Notes (continued)

12 Deferred tax assets and liabilities (continued)

Movement in deferred tax (assets) and liabilities during the period

	1 Jan 2016 £'000	Recognised in income £'000	Recognised in equity £'000	31 Dec 2016 £'000
Property, plant and equipment	-	(314)	-	(314)
Deferred tax (asset)/liabilities	-	(314)	-	(314)

Movement in deferred tax during the prior year

	1 Jan 2015 £'000	Recognised in income £'000	Recognised in equity £'000	31 Dec 2015 £'000
Property, plant and equipment	-	-	-	-
Deferred tax (asset)/liabilities	-	-	-	-

13 Capital and reserves

	2016 £'000	2015 £'000
Allotted, called up and fully paid		
5,500,003 ordinary shares of £1 each	5,500	5,500

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Nature and purpose of reserves

Revaluation reserve

Where land and buildings are revalued or reclassified as investment property, the cumulative increase in the fair value of the property at the date of revaluation in excess of any previous impairment losses is included in the revaluation reserve.

14 Contingencies

The Company is a party to a composite guarantee provided to Deutsche Bank AG in connection with senior loans held by BPH Finance Number 1 Limited which at 31 December 2016 amounted to £94,940,246 (2015: £98,752,500). Deutsche Bank AG holds a fixed charge over the Company's assets, together with those of certain other subsidiary undertakings.

Chester International Hotel Limited

Notes (continued)

15 Commitments

Capital commitments

At 31 December 2016, the Company had entered into contracts to purchase property, plant and equipment for £3k (2015: £2k). These commitments are expected to be settled in the following financial year.

16 Operating leases

Non-cancellable operating lease rentals are payable in respect of land and buildings as follows:

	2016 £'000	2015 £'000
Less than one year	90	90
Between one and five years	360	360
More than five years	8,364	8,454
	<hr/>	<hr/>
	8,814	8,904
	<hr/>	<hr/>

During the year £90k was recognised as an expense in the profit and loss account in respect of operating leases (2015: £90k).

17 Related party transactions

Under IAS 24, *Related Party Disclosures*, the Company has a related party relationship with shareholders and key management personnel, including directors of the Company.

Parent and ultimate controlling party

The Company's immediate parent undertaking is BPH Finance Number 1 Limited, a company incorporated in the United Kingdom. BPH Finance Number 1 Limited is a subsidiary of Bryant Park Hospitality Limited, a company incorporated in the Cayman Islands. The share capital of Bryant Park Hospitality Limited is indirectly owned by Maples and Calder which holds it for charitable purposes.

The ultimate controlling parties are Marathon European CRE Opportunity Fund and Marathon European Credit Opportunity Fund II.

The largest group in which the results of the Company are consolidated is that headed by Bryant Park Hospitality Limited. The consolidated financial statements of this group are not available to the public.

The smallest group in which they are consolidated is that headed by BPH Finance Number 1 Limited. The consolidated financial statements of this group are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Chester International Hotel Limited

Notes (continued)

17 Related party transactions (continued)

Related party transactions

The following transactions were conducted with related parties during the year:

	2016 £'000	2015 £'000
Management fees payable to Bryant Park Hospitality Limited	52	49
Management fees payable to fellow subsidiary undertakings	208	196
Recharge of expenses from fellow subsidiary undertakings	206	193

The following balances remain outstanding at year end:

	2016 £'000	2015 £'000
<i>Receivables:</i>		
Amounts owed by fellow subsidiary undertakings	20,945	7,963
<i>Payables:</i>		
Amounts owed to Bryant Park Hospitality Limited	(55)	(35)
Amounts owed to BPH Finance Number 1 Limited	(3,849)	(3,849)
Amounts owed to fellow subsidiary undertakings	(11,295)	-

Remuneration of key management

Key management is defined as the directors of the Company. Details of remuneration paid are outlined in note 4 above.

18 Subsequent events

There were no significant events subsequent to the statement of financial position date.

19 Approval of financial statements

The board of directors approved these financial statements on 30 June 2017.