

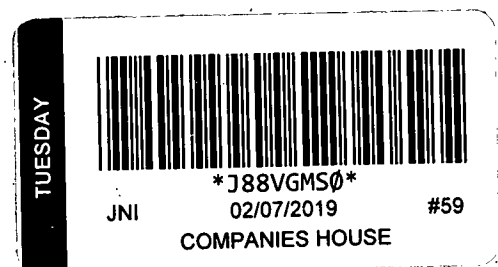


## Chester International Hotel Limited

Annual report and  
financial statements

Year ended 31 December 2018

**Company registration number: 01999608**



# **Chester International Hotel Limited**

## **Annual report and financial statements**

<i>Contents</i>	<i>Page</i>
Directors and other information	1
Strategic report	2
Directors' report	4
Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements	6
Independent auditor's report to the members of Chester International Hotel Limited	7
Statement of profit and loss and other comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Cash flow statement	13
Notes forming part of the financial statements	14

# **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  
The Soloist Building  
1 Lanyon Place  
Belfast  
BT1 3LP

### **Registered number**

01999608

# Chester International Hotel Limited

## Strategic report

The directors present their strategic report for the year ended 31 December 2018.

### 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 10 and in the related notes.

Turnover decreased by £109k (2%) in the year to December 2018, with operating profit decreasing marginally from £1,493k (22% operational profit margin) to £1,452k (22% operational profit margin).

The directors were disappointed with trading performance for the year, however taking into consideration the back drop of a declining market, the hotel limited its turnover decline. Operating profit was under pressure, however tight cost control managed to limit cost increases from National Living Wage, Apprentice Levy, utility costs and business rates.

The directors continue to focus on enhancing operations and facilities provided to customers and remain confident that this will boost profitability and hotel value in future years.

The Company's hotel asset is stated at fair value. The hotel was valued in December 2018 by CBRE Limited, resulting in an uplift in value of £933k (2017: £653k).

The Company remains in a strong net asset position at 31 December 2018.

### 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:

- Fluctuations in property valuations;
- Brexit and general economic uncertainty;
- Employee retention;
- Competition from other hotels;
- 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.

# Chester International Hotel Limited

## Strategic report *(continued)*

### **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.

### **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

26 June 2019

# Chester International Hotel Limited

## Directors' report

The directors present their report for the year ended 31 December 2018.

### Dividends

No dividends were paid in the year (2017: £Nil).

### Directors

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

J Braidley  
C Kula

### Political contributions

The Company made no political donations nor incurred any political expenditure during the year (2017: £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.

# Chester International Hotel Limited

## Directors' report *(continued)*

### 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



26 June 2019

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

## 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 directors' report, strategic report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the 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 state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 responsible for such internal controls as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the board



C Kula  
Director

26 June 2019





**KPMG**  
**Audit**  
The Soloist Building  
1 Lanyon Place  
Belfast BT1 3LP  
Northern Ireland

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

### **Report on the audit of the financial statements**

#### ***Opinion***

We have audited the financial statements of Chester International Hotel Limited ('the Company') for the year ended 31 December 2018 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 related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is UK Law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion, the accompanying financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 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.

#### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***We have nothing to report on going concern***

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. We have nothing to report in these respects.



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

### Report on the audit of the financial statements (*continued*)

#### ***We have nothing to report on going concern (continued)***

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

#### ***Other information***

The directors are responsible for the other information presented in the annual report together with the financial statements. The other information comprises the information included in the strategic report and the directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statement audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information;

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

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

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

- adequate accounting records have not been kept, 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 these respects.



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

### **Respective responsibilities and restrictions on use**

#### ***Responsibilities of directors for the financial statements***

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### ***Auditor's responsibilities for the audit of the financial statements***

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

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

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

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**  
The Soloist Building  
1 Lanyon Place  
Belfast  
BT1 3LP

26 June 2019

# Chester International Hotel Limited

## Statement of profit and loss and other comprehensive income for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
<b>Revenue</b>	2	6,619	6,728
Cost of sales		(2,476)	(2,599)
<b>Gross profit</b>		4,143	4,129
Administrative expenses		(2,691)	(2,636)
<b>Operating profit</b>		1,452	1,493
<b>Profit before tax</b>		1,452	1,493
Taxation	6	228	99
<b>Profit for the year</b>		1,680	1,592
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of land and buildings	7	933	653
<b>Other comprehensive income for the year, net of income tax</b>		933	653
<b>Total comprehensive income for the year</b>		2,613	2,245

The notes on pages 14 to 31 form an integral part of these financial statements.

# Chester International Hotel Limited

## Statement of financial position as at 31 December 2018

	Note	2018 £'000	2017 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	24,154	23,354
Deferred tax assets	12	641	413
<b>Total non-current assets</b>		<b>24,795</b>	<b>23,767</b>
<b>Current assets</b>			
Inventories	8	49	37
Trade and other receivables	9	13,911	12,000
Cash and cash equivalents	10	67	4
<b>Total current assets</b>		<b>14,027</b>	<b>12,041</b>
<b>Total assets</b>		<b>38,822</b>	<b>35,808</b>
<b>Equity</b>			
Share capital	13	5,500	5,500
Revaluation reserve		16,058	15,125
Retained earnings		12,048	10,368
<b>Total equity</b>		<b>33,606</b>	<b>30,993</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	5,216	4,815
<b>Total current liabilities</b>		<b>5,216</b>	<b>4,815</b>
<b>Total liabilities</b>		<b>5,216</b>	<b>4,815</b>
<b>Total equity and liabilities</b>		<b>38,822</b>	<b>35,808</b>

These financial statements were approved by the board of directors on 26 June 2019 and signed on its behalf by:



C Kula  
Director

Company registration number: 01999608

The notes on pages 14 to 31 form an integral part of these financial statements.

## Chester International Hotel Limited

### Statement of changes in equity for the year ended 31 December 2018

	Share capital £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017	5,500	14,472	8,776	28,748
<b>Comprehensive income</b>				
Profit for the financial year	-	-	1,592	1,592
<i>Other comprehensive income:</i>				
Revaluation of land and buildings	-	653	-	653
<b>Total comprehensive income for the year</b>	-	653	1,592	2,245
<b>Balance at 31 December 2017</b>	<b>5,500</b>	<b>15,125</b>	<b>10,368</b>	<b>30,993</b>
Balance at 1 January 2018	5,500	15,125	10,368	30,993
<b>Comprehensive income</b>				
Profit for the financial year	-	-	1,680	1,680
<i>Other comprehensive income:</i>				
Revaluation of land and buildings	-	933	-	933
<b>Total comprehensive income for the year</b>	-	933	1,680	2,613
<b>Balance at 31 December 2018</b>	<b>5,500</b>	<b>16,058</b>	<b>12,048</b>	<b>33,606</b>

The notes on pages 14 to 31 form an integral part of these financial statements.

# Chester International Hotel Limited

## Cash flow statement

for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
<b>Cash flows from operating activities</b>			
Profit for the year		1,680	1,592
Adjustments for:			
Depreciation	7	366	395
Taxation	6	(228)	(99)
		<hr/>	<hr/>
		1,818	1,888
(Increase)/decrease in trade and other receivables	9	(1,911)	9,381
(Increase)/decrease in inventories	8	(12)	(12)
Increase/(decrease) in trade and other payables	11	401	(10,859)
		<hr/>	<hr/>
<b>Net cash from operating activities</b>		296	398
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	7	(233)	(396)
		<hr/>	<hr/>
<b>Net cash from investing activities</b>		(233)	(396)
		<hr/>	<hr/>
Net increase in cash and cash equivalents		63	2
Cash and cash equivalents at 1 January		4	2
		<hr/>	<hr/>
<b>Cash and cash equivalents at 31 December</b>	10	67	4
		<hr/>	<hr/>

The notes on pages 14 to 31 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 private company incorporated, domiciled and registered in the United Kingdom. The registered number is 01999608 and the registered address is Queens Court, 9 - 17 Eastern Road, Romford, Essex, RM1 3NG.

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 a 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
- Useful lives of fixtures, fittings and equipment
- Recognition of deferred tax assets

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

#### 1.1 Newly adopted standards

The following standards were effective for the Company for the first time from 1 January 2018 and have been adopted in these financial statements:

- IFRS 9: *Financial instruments*
- IFRS 15: *Revenue from contracts with customers*

Their impact on the Company's financial statements is discussed below.

##### *IFRS 9 Financial instruments*

IFRS 9 *Financial instruments* replaced the previous guidance in IAS 39 *Financial instruments: recognition and measurement*. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Company has assessed the impact from the application of IFRS 9 on its financial statements and concluded that the vast majority of financial assets held are trade receivables, intragroup receivables, other receivables and cash, all of which continue to be accounted for at amortised cost. The Company has not designated any financial liabilities as fair value through profit and loss (FVTPL). As a result, the classification and measurement changes have not had a material impact on the Company's financial statements, and comparatives have not been restated for the impact of IFRS 9.

Given historic loss rates, normal receivable ageing and the portion of trade receivables within agreed credit terms, the move from an incurred loss model for impairment testing and provisioning purposes to an expected loss model has not had a material impact.



# Chester International Hotel Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.1 Newly adopted standards (continued)

##### *IFRS 15 Revenue from contracts with customers*

IFRS 15 *Revenue from contracts with customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised, replacing the previous guidance in IAS 18 *Revenue*.

The Company has undertaken an assessment of revenue earned in respect of each of its service offerings and the directors are satisfied that all such revenue is recorded on a gross basis with commissions deducted separately as cost of sales in accordance with IFRS 15.

Accordingly, the effect of applying IFRS 15 has not resulted in any classifications between revenue and cost of sales, and there has been no material impact to the financial statements in the current or prior year.

Given the limited number of revenue streams generated by the Company and the assessment carried out by management, the adoption of IFRS 15 has not had a material impact on revenue recognition; and comparatives have not been restated.

#### 1.2 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 or liabilities;

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).

# Chester International Hotel Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.3 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 and the broader economic environment remains subject to a level of uncertainty, including that as a result of the potential impact of Brexit. However, the directors remain confident that they will increase activities and improve current levels of performance in the future.

Capital management and treasury activities are co-ordinated centrally across the Group. The directors have received confirmation that liabilities owed to fellow Group companies will not be called for payment to the detriment of the Company's ability to discharge its liabilities as they fall due in the normal course of business. Moreover, the directors are satisfied that the Group will have adequate liquidity to ensure all debts can be discharged as they fall due and have prepared cash flow forecasts which support the ability of the consolidated Group to generate positive cash flows and satisfy working capital requirements for the next twelve months.

Accordingly, they have adopted the going concern basis in preparing these financial statements.

#### 1.4 Financial instruments

##### (i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at transaction price.

##### (ii) Classification and subsequent measurement

###### Financial assets

###### (a) Classification

On initial recognition, a financial asset is classified as measured at: (i) amortised cost; (ii) FVOCI – debt investment; (iii) FVOCI – equity investment; or (iv) FVTPL.

Financial assets are not reclassified subsequent to initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# Chester International Hotel Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 Financial instruments (continued)

##### (ii) Classification and subsequent measurement

###### Financial assets

###### (a) Classification (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

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.

###### (b) Subsequent measurement and gains and losses

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

###### Financial liabilities and equity

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.

# Chester International Hotel Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 Financial instruments (continued)

##### *Financial liabilities and equity (continued)*

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, amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is held-for-trading, is a derivative or is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value with net gains and losses, including any interest expense, recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

##### *Intra-group financial instruments*

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

##### *(i) Impairment*

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECLs.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

# Chester International Hotel Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 Financial instruments (continued)

##### Financial liabilities and equity

##### (i) Impairment (continued)

###### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

###### Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

###### Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

#### 1.5 Impairment of non-financial assets excluding inventories and deferred tax 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.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

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

# Chester International Hotel Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.6 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 accumulated impairment losses.

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	60 years
Fixtures and fittings	4 to 7 years
Plant and equipment	3 to 15 years

Depreciation methods, useful lives and residual values are reviewed at each reporting 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 are 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.

#### 1.7 Inventories

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

#### 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.

# Chester International Hotel Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.9 Revenue

Revenue represents sales (excluding VAT) of goods and services 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, 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 term 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 statement of profit and loss 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 reporting 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 reporting 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.

#### 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.

The following standard has been issued but has not been applied in these financial statements:

# Chester International Hotel Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.12 Adopted IFRS not yet applied (continued)

##### IFRS 16 Leases (effective 1 January 2019)

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Company has completed an assessment of the potential impact on its financial statements. Whilst work is ongoing in this regard, the most significant impact identified is that the Company will recognise a right of use asset and associated lease liability for the rental of land and buildings. As at 31 December 2018, the Company's future minimum lease payments under non-cancellable operating leases amounted to £8,634k, on an undiscounted basis (see note 16). Management is in the course of finalising their calculation as to the amount of right of use asset and related discounted liability to be recognised on transition.

The treatment of expenses related to those leases will differ as IFRS 16 replaces the straight-line operating lease charge with a depreciation charge for right-of-use assets and associated interest expense on lease liabilities.

In addition, the following standards and interpretations are not expected to have a significant impact on the Company's financial statements:

- Annual Improvements to IFRS 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28
- IFRS 17: Insurance Contracts
- IFRIC 23: Uncertainty over Income Tax Treatment
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to References to the Conceptual Framework in IFRS Standards
- Annual Improvements to IFRS Standards 2015-2017 Cycle

2 Revenue	2018 £'000	2017 £'000
Provision of hotel services and supply of goods	6,619	6,728

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:

	2018 No.	2017 No.
Management, sales and administration staff	56	60

The aggregate payroll costs of these persons were as follows:

	2018 £'000	2017 £'000
Wages and salaries	1,471	1,512
Social security costs	106	109
Contributions to defined contribution plans	20	14
	<u>1,597</u>	<u>1,635</u>

### 4 Directors' remuneration

The directors did not receive any emoluments for services provided to the Company during the year (2017: £Nil).

### 5 Expenses and auditor's remuneration

	2018 £'000	2017 £'000
<i>Included in profit/(loss) are the following:</i>		
Depreciation of tangible fixed assets	366	395
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

Recognised in the profit and loss account	2018 £'000	2017 £'000
<i>Current tax expense</i>		
Current year	-	-
	<hr/>	<hr/>
Current tax expense	-	-
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(199)	(99)
Impact of change in tax rates	(29)	-
	<hr/>	<hr/>
Deferred tax credit	(228)	(99)
	<hr/>	<hr/>
<b>Total tax credit</b>	<b>(228)</b>	<b>(99)</b>
	<hr/>	<hr/>
<b>Income tax recognised in other comprehensive income</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Revaluation of land and buildings	-	-
	<hr/>	<hr/>
<b>Reconciliation of effective tax rate</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Profit before tax	1,452	1,493
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19% (2017: 19.25%)	276	287
	<hr/>	<hr/>
<i>Effects of:</i>		
Non-deductible expenses	39	47
Group relief received not paid for	(36)	(66)
Deferred tax not recognised	(478)	(367)
Impact of change in tax rates	(29)	-
	<hr/>	<hr/>
<b>Total tax credit</b>	<b>(228)</b>	<b>(99)</b>
	<hr/>	<hr/>

# Chester International Hotel Limited

## Notes (continued)

### 6 Taxation (continued)

#### Recognised and unrecognised deferred tax assets

The Company has recognised a deferred tax asset totalling £641k (2017: £413k) 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 £530k (2017: £742k). 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 remaining unclaimed allowances. The directors have concluded that there is currently insufficient evidence to support recognition of an additional deferred tax asset in this regard.

#### 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 enacted on 26 October 2015. The Finance Act 2016 further reduced the 18% rate to 17% with effect from 1 April 2020, following substantial enactment on 6 September 2016. Together this will reduce the Company's future tax charge accordingly.

# Chester International Hotel Limited

## Notes (continued)

<b>7 Property, plant and equipment</b>	<b>Long leasehold land and buildings £'000</b>	<b>Fixtures, fittings and equipment £'000</b>	<b>Assets under construction £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>				
Balance at 1 January 2017	21,662	6,470	-	28,132
Additions	-	142	254	396
Revaluations	530	-	-	530
<b>Balance at 31 December 2017</b>	<b>22,192</b>	<b>6,612</b>	<b>254</b>	<b>29,058</b>
Balance at 1 January 2018	22,192	6,612	254	29,058
Additions	-	233	-	233
Revaluations	805	-	-	805
Disposals	-	(4,418)	-	(4,418)
<b>Balance at 31 December 2018</b>	<b>22,997</b>	<b>2,427</b>	<b>254</b>	<b>25,678</b>
<b>Depreciation and impairment</b>				
Balance at 1 January 2017	-	5,432	-	5,432
Depreciation charge for the year	123	272	-	395
Elimination of depreciation on revaluation	(123)	-	-	(123)
<b>Balance at 31 December 2017</b>	<b>-</b>	<b>5,704</b>	<b>-</b>	<b>5,704</b>
Balance at 1 January 2018	-	5,704	-	5,704
Depreciation charge for the year	128	238	-	366
Elimination of depreciation on revaluation	(128)	-	-	(128)
Disposals	-	(4,418)	-	(4,418)
<b>Balance at 31 December 2018</b>	<b>-</b>	<b>1,524</b>	<b>-</b>	<b>1,524</b>
<b>Net book value</b>				
At 1 January 2017	21,662	1,038	-	22,700
At 31 December 2017	22,192	908	254	23,354
<b>At 31 December 2018</b>	<b>22,997</b>	<b>903</b>	<b>254</b>	<b>24,154</b>

# Chester International Hotel Limited

## Notes (continued)

### 7 Property, plant and equipment (continued)

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

Included in land and buildings at 31 December 2018 is land with a carrying value of £7,819k (2017: £7,545k) which is not depreciated.

At 31 December 2018, the property held by the Company was pledged as security for loans held by BPH Regional Hospitality Group Limited and BPH Subholdco Limited which at 31 December 2018 amounted to £45,870,000 (2017: £45,870,000) and £275,015,878 (2017: £277,513,500) respectively.

#### Measurement of fair values

The carrying value of land and buildings at 31 December 2018 reflects the results of a valuation exercise carried out in December 2018 by an independent external valuer, CBRE Limited, who the directors regard as having a recognised professional qualification 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 the 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% (2017: 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	2018 £'000	2017 £'000
Consumables	49	37
	<u>49</u>	<u>37</u>

# Chester International Hotel Limited

## Notes (continued)

<b>9 Trade and other receivables</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Trade receivables	84	154
Amounts owed by fellow group undertakings	13,725	11,770
Prepayments	61	40
Other receivables	41	36
	<u>13,911</u>	<u>12,000</u>

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

<b>10 Cash and cash equivalents</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Cash and cash equivalents per statement of financial position	67	4
Cash and cash equivalents per cash flow statement	<u>67</u>	<u>4</u>

<b>11 Trade and other payables</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
<i>Current liabilities</i>		
Trade payables	115	102
Amounts owed to fellow group undertakings	4,558	4,111
Accrued expenses	254	275
Deferred income	105	138
Other payables	1	-
Other taxation and social security	183	189
	<u>5,216</u>	<u>4,815</u>

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

# Chester International Hotel Limited

## Notes (continued)

### 12 Deferred tax assets

#### Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2018 £'000	2017 £'000
Property, plant and equipment	641	413
<b>Tax assets</b>	<b>641</b>	<b>413</b>

#### Movement in deferred tax during the year

	1 January 2018 £'000	Recognised in income £'000	Recognised in equity £'000	31 December 2018 £'000
Property, plant and equipment	(413)	(228)	-	(641)
	<b>(413)</b>	<b>(228)</b>	<b>-</b>	<b>(641)</b>

#### Movement in deferred tax during the prior year

	1 January 2017 £'000	Recognised in income £'000	Recognised in equity £'000	31 December 2017 £'000
Property, plant and equipment	(314)	(99)	-	(413)
	<b>(314)</b>	<b>(99)</b>	<b>-</b>	<b>(413)</b>

### 13 Capital and reserves

#### Share capital

##### Allotted, called up and fully paid

5,500,003 ordinary shares of £1 each

	2018 £'000	2017 £'000
5,500,003 ordinary shares of £1 each	5,500	5,500
<b>Shares classified in shareholders' funds</b>	<b>5,500</b>	<b>5,500</b>

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.

# Chester International Hotel Limited

## Notes (continued)

### 13 Capital and reserves (continued)

#### 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 party to a composite guarantee provided to Deutsche Bank AG in connection with loans held by BPH Regional Hospitality Group Limited and BPH Subholdco Limited which at 31 December 2018 amounted to £45,870,000 (2017: £45,870,000) and £275,015,878 (2017: £277,513,500) respectively. Deutsche Bank AG holds a fixed charge over the Company's assets, together with those of certain other group undertakings, in this regard.

### 15 Commitments

#### Capital commitments

At 31 December 2018, the Company had no contracts to purchase property, plant and equipment (2017: £13k).

### 16 Operating leases

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

	2018 £'000	2017 £'000
Less than one year	90	90
Between one and five years	360	360
More than five years	8,184	8,274
	<hr/>	<hr/>
	8,634	8,724
	<hr/>	<hr/>

During the year £90k was recognised as an expense in the profit and loss account in respect of operating leases (2017: £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.



# Chester International Hotel Limited

## Notes (continued)

### 17 Related party transactions (continued)

#### *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 wholly owned subsidiary of BPH Subholdco Limited which in turn is a wholly owned subsidiary of BPH Holdco Limited, itself a wholly owned subsidiary of BPH Regional Hospitality Group Limited, all of which are incorporated in the United Kingdom. The issued share capital of BPH Regional Hospitality Group Limited is owned in full by 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 who hold the shares issued in trust 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 Regional Hospitality Group 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.

#### *Related party transactions*

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

	2018 £'000	2017 £'000
Management fees payable to Bryant Park Hospitality Limited	52	53
Management fees payable to fellow subsidiary undertakings of Bryant Park Hospitality Limited	208	212
Recharge of expenses from fellow subsidiary undertakings of Bryant Park Hospitality Limited	137	205

The following balances remain outstanding at year end:

#### *Receivables:*

Amounts owed by fellow subsidiary undertakings of Bryant Park Hospitality Limited	13,725	11,770
---	--------	--------

#### *Payables:*

Amounts owed to Bryant Park Hospitality Limited	(60)	(60)
Amounts owed to BPH Finance Number 1 Limited	(3,829)	(3,829)
Amounts owed to fellow subsidiary undertakings of Bryant Park Hospitality Limited	(669)	(222)

#### *Remuneration of key management*

Key management is defined as the directors of the Company in addition to the senior management team of Valor Hospitality Europe Limited, the appointed asset manager of the Bryant Park Hospitality Group.

Details of remuneration paid are outlined in note 4 above. Fees payable to Valor Hospitality Europe Limited are borne by Bryant Park Hospitality UK Limited, a fellow group undertaking.

### 18 Subsequent events

There were no significant events subsequent to the reporting date.