Company Registration No. 02724522 (England and Wales)

CENTRE ISLAND DEVELOPMENT COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

CENTRE ISLAND DEVELOPMENT COMPANY LIMITED

COMPANY INFORMATION

Directors	M C Foster M O'Donoghue M S Sutton
Secretary	M S Sutton
Company number	02724522
Registered office	Crowne Plaza Liverpool St. Nicholas Place Princes Dock Liverpool L3 1QW England
Auditor	RSM UK Audit LLP Chartered Accountants 14th Floor 20 Chapel Street Liverpool L3 9AG
Bankers	Allied Irish Bank (GB) 1 St Paul's Square Old Hall Street Liverpool L3 9PP

CENTRE ISLAND DEVELOPMENT COMPANY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Holiday Inn Ellesmere Port / Cheshire Oaks

Review of the business
Holiday Inn Ellesmere Port/Cheshire Oaks again delivered a strong performance in 2019 from a good mix of both corporate and leisure led demand across the full 12 months.

The hotel achieved an occupancy slightly down on the prior year by (2.12%) but an achieved daily rate growth of 0.4% year on year. Other revenues were in line with projections and prior year.

Total revenue for 2019 was £3,103,135 versus £3,177,896 in 2018.

Direct costs were well controlled in the year. Concerns on the negative impact of Brexit on commodities meant that delivery of gross profits was a continual challenge particularly on Food costs. Payroll increased year on year by 5.7% in terms of cash increase year on year resulting from the increases of National Living Wage in April 2019.

Expenses were well managed and in line with the budgetary targets including utilities which had been steadily increasing year on year.

The EBITDA achieved was £583,645, down on 2018's figure of £647,810.

The Board completed a valuation of Holiday Inn Ellesmere Port / Cheshire Oaks on 17 September 2019 and decided to impair the net assets by £1,134,295. This has been reflected in the net asset position of the company.

Holiday Inn Express Liverpool Albert Dock

Review of the business
As Liverpool's reputation as a strong investment opportunity continues to grow increased supply across all segments of the accommodation market has again been prevalent with new serviced apartments and non-branded hotels entering the city.

Overall, the limited-service Liverpool hotel market reported a decrease of (6.4%) in RevPar across the full year in stark contrast to previous years which have shown significant growths across all segments of the market.

The aforementioned meant that rooms revenue achieved £3,079,102 a decrease of (5.4%) on 2018's revenue of £3,258,038. This was derived from a decrease in occupancy year on year of (6.1%) of but achieved daily rate grew by 2.1%.

Total revenue was £3,606,529 an uplift of a slight increase on the 2018 £3,572,975 driven through other revenues.

Direct costs were well controlled in the year. Concerns on the negative impact of Brexit on commodities meant that delivery of gross profits was a continual challenge particularly on Food costs. Payroll increased year on year by 1.8% in terms of cash increase year on year resulting from the increases of National Living Wage in April 2019.

Expenses were well managed and in line with the budgetary targets including utilities which had been steadily increasing year on year.

The EBITDA achieved was £1,097,030.

The Board completed a valuation of Holiday Inn Holiday Inn Express Liverpool Royal Albert Dock on 17 September 2019 and decided to impair the net assets by £2,093,039. This has been reflected in the net asset position of the company.

Future developments and events after the reporting date

In early 2020 the world economy began to be affected by the COVID-19 outbreak. The outbreak spread across many countries and disrupted general economic activity and business and leisure travel. The outbreak and the measures taken by governments to control its spread had a major impact on the UK hotel market, forcing the closure of the hotels for much of 2020.

Under generally accepted accounting practice the outbreak is considered to be a non-adjusting post balance sheet event. The directors have therefore made no adjustments to the carrying values of assets and liabilities reported at 31 December 2019. At the date of signing these financial statements, as the UK and worldwide vaccination programmes begin to take effect, the outlook is improving and the hotels are making preparations to reopen when practicable.

The outbreak is expected to affect the carrying values of the hotels. A full valuation exercise is ongoing and will be reflected in the financial statements for the year ended 31 December 2020.

Matters of strategic importance

The principal risks and uncertainties facing the business (apart from those associated with a general economic downturn) relate to the management of cash and borrowing requirements and the potential default of debtors. Details of the policies used by management to manage these financial risks are given in the Directors' Report.

On behalf of the board

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M S Sutton

Director

Date: 31st March 2021

CENTRE ISLAND DEVELOPMENT COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the company during the year was the operation of hotels.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

M C Foster
M O'Donoghue
M S Sutton

Results and dividends

The results for the year are set out on page 7. No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors' insurance

The group in which the company is a member maintains professional indemnity insurance covering directors, officers and senior managerial staff.

Financial risk management objectives and policies

Borrowing and investments of cash surpluses are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

The group of which the company is a member manages its cash and borrowing requirements centrally in order to maximise interest income and minimise interest expense whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Auditor

RSM UK Audit LLP has indicated its willingness to continue in office and is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Matters set out in the strategic report

As permitted by s414C(11) of Companies Act 2006, the company has chosen to set out in the strategic report information required by Sch.7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be included in the directors' report. It has done so in respect of future developments.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

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M S Sutton
Director

Date: 31st March 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the Strategic Report and 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CENTRE ISLAND DEVELOPMENT COMPANY LIMITED

Opinion

We have audited the financial statements of Centre Island Development Company Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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.

Material uncertainty related to going concern

We draw attention to the section titled 'Going Concern' within note 1 to the financial statements, which indicates that the company reported a profit of £731,127 for the year ended 31 December 2019 and as at 31 December 2019 had net assets of £9,041,658 and net current assets of £321,916. As stated in note 1, the company has been significantly impacted by the COVID-19 pandemic. These conditions, along with other matters set out in note 1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CENTRE ISLAND DEVELOPMENT COMPANY LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors 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 further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's member 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 member 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 member for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Jonathan Lowe (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
14th Floor
20 Chapel Street
Liverpool
L3 9AG

31/3/21

CENTRE ISLAND DEVELOPMENT COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover	3	6,709,666	6,750,871
Cost of sales		(504,984)	(534,663)
Gross profit		6,204,682	6,216,208
Administrative expenses		(5,037,990)	(4,912,574)
Operating profit	5	1,166,692	1,303,634
Interest payable and similar expenses	6	(263,298)	(273,394)
Profit before taxation		903,394	1,030,240
Tax on profit	7	(172,267)	(187,003)
Profit for the financial year		731,127	843,237
Other comprehensive (expense)/income			
Revaluation of tangible fixed assets		(3,227,336)	-
Tax relating to other comprehensive expense	7	548,647	-
Total comprehensive (expense)/income for the year		(1,947,562)	843,237

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

Company Registration No. 02724522

CENTRE ISLAND DEVELOPMENT COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Tangible assets	8		16,263,332		19,775,455
Current assets					
Stocks	9	19,787		16,657	
Debtors	10	2,199,307		1,578,454	
Cash at bank and in hand		681,610		901,050	
		2,900,704		2,496,161	
Creditors: amounts falling due within one year	11	(2,578,788)		(2,839,273)	
Net current assets/(liabilities)			321,916		(343,112)
Total assets less current liabilities			16,585,248		19,432,343
Creditors: amounts falling due after more than one year	12		(6,735,659)		(7,083,032)
Provisions for liabilities	14		(807,931)		(1,360,091)
Net assets			9,041,658		10,989,220
Capital and reserves					
Called up share capital	16		200		200
Share premium account	17		99,850		99,850
Revaluation reserve	17		3,805,816		6,484,505
Profit and loss reserves	17		5,135,792		4,404,665
Total equity			9,041,658		10,989,220

The financial statements were approved by the board of directors and authorised for issue on 31st March 2021 and are signed on its behalf by:

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M S Sutton

Director

CENTRE ISLAND DEVELOPMENT COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Share premium account	Revaluation reserve	Profit and loss reserves	Total
	£	£	£	£	£
Balance at 1 January 2018	200	99,850	6,484,505	3,561,428	10,145,983
Year ended 31 December 2018:					
Profit and total comprehensive income for the year	-	-	-	843,237	843,237
Balance at 31 December 2018	200	99,850	6,484,505	4,404,665	10,989,220
Year ended 31 December 2019:					
Profit for the year	-	-	-	731,127	731,127
Other comprehensive (expense)/income:					
Revaluation of tangible fixed assets	-	-	(3,227,336)	-	(3,227,336)
Tax relating to other comprehensive (expense)/income	-	-	548,647	-	548,647
Total comprehensive (expense)/income for the year	-	-	(2,678,689)	731,127	(1,947,562)
Balance at 31 December 2019	200	99,850	3,805,816	5,135,792	9,041,658

1 Accounting policies

Company information

Centre Island Development Company Limited is a private company limited by shares incorporated in England and Wales. The registered office is Crowne Plaza Liverpool, St. Nicholas Place, Princes Dock, Liverpool, England, L3 1QW. The principal places of business are Holiday Inn Express Liverpool Albert Dock, Brittania Pavillion, Albert Dock, Liverpool L3 4AD and Holiday Inn Ellesmere Port, Lower Mersey Street, Ellesmere Port, Cheshire CH65 2AL. The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of leasehold properties. The principal accounting policies adopted are set out below.

Reduced disclosures

The company is a qualifying entity under the FRS 102 Reduced Disclosure Framework and has taken advantage of the exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' - Presentation of a Statement of Cash Flow and related notes and disclosures.
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' - Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values, details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
- Section 33 ' Related Party Disclosures' - Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Centre Island Hotels Limited. The consolidated financial statements of Centre Island Hotels Limited are available from its registered office, Crowne Plaza Liverpool, St. Nicholas Place, Princes Dock, Liverpool, England, L3 1QW.

Going concern

The company reported a profit of £731,127 for the year ended 31 December 2019 and as at 31 December 2019 has net assets of £9,041,658 and net current assets of £321,916. Subsequent to the year end the COVID-19 pandemic has had a significant effect on the company's operations including the enforced closure of hotels nationally through national lockdowns as well as further local actions.

The company is a wholly-owned subsidiary of Centre Island Hotels Limited. The Centre Island Hotels Limited group has net assets of £30.1m (2018 - £35.2m) and operates a group overdraft facility sufficient to meet its subsidiaries' working capital requirements for the foreseeable future. The group has provided written confirmation to the company that financing will be available as required over the next 12 month period and intercompany payable balances will not be recalled by the group unless the company has sufficient cash to do so.

1 Accounting policies (Continued)

Since the start of the pandemic, the group has made use of available government support such as the Coronavirus Job Retention Scheme and the directors have held regular conversations with the shareholders and Allied Irish Bank Plc, who provide a term loan repayable by 31 March 2022. All covenants have been waived until December 2021 during the year ended 31 December 2020 and a capital repayment holiday has been granted. During the year ended 31 December 2020 there were additional loans provided from related entities totaling £1.05m which are repayable in July 2021 as well as a loan from the parent company, Travan Services Limited, of £1.6m repayable in January 2023.

In considering the going concern assumption the directors have considered the UK Government's timetable for easing lockdown, the actions taken to provide for social distancing in our hotels and the likely levels of demand in the foreseeable future. The directors have continued to have discussions with the group's bankers and shareholders to ensure sufficient facilities are in place before they expire.

The directors have prepared cash flow forecasts for a period not less than 12 months from the date of signing the financial statements which take into account the points noted above and assumes that hotels will be able to reopen in May 2021 (with trading returning to pre pandemic levels by 31 December 2021) and that debt facilities and covenants will be successfully renegotiated. The directors are therefore satisfied that the company is a going concern and that it remains appropriate to prepare these financial statements on a going concern basis. However, these events or conditions, as noted above, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and services in the ordinary nature of the business and is shown net of trade discounts and Value Added Tax. All revenue is recognised during the period in which the goods or services are provided.

Tangible fixed assets

All fixed assets are initially recorded at cost and are stated net of depreciation and any provision for impairment except where noted below. Land and buildings are stated at valuation.

Depreciation is calculated so as to write off the cost of a tangible fixed asset, less its estimated residual value, over the useful economic life of that asset as follows:

Long leasehold land and buildings	No depreciation (see below)
Fixtures, fittings and equipment	4-12 years straight line
Motor vehicles	4 years straight line

Depreciation is not provided on leasehold buildings where the term of the lease is more than 50 years, as it is not material, nor on land. In accordance with FRS102, an impairment review is performed on such assets. Where the results of this review demonstrate that the recoverable amounts of these assets are less than the relevant carrying amount in the financial statements a full provision is made for such a shortfall.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Expenditure on repairs and renewals is charged to profit or loss at the time of expenditure. Major refurbishment projects forming part of the planned programme of maintaining the properties in a good state of repair are capitalised at cost under the appropriate asset category and depreciated in accordance with the accounting policy. Any net book value attributable to the asset being replaced is written off to profit or loss when refurbishment takes place.

1 Accounting policies (Continued)

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all its financial instruments. Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument. Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income or equity.

1 Accounting policies (Continued)

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are not taxable or deductible, or that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset if, and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Employee benefits
The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits
For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases
Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The main judgements applied in preparing these financial statements concern the carrying value of amounts recoverable from group undertakings and the carrying value of the company's leasehold land and buildings including the rate of depreciation applied to its fixtures, fittings and equipment. The basis on which these items have been reflected in these financial statements is set out in note 8.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2019 £	2018 £
Turnover analysed by class of business		
Operation of a hotel	6,709,666	6,750,871

	2019 £	2018 £
Turnover analysed by geographical market		
United Kingdom	6,709,666	6,750,871

4 Employees

The average monthly number of persons (excluding directors) employed by the company during the year was:

	2019 Number	2018 Number
Operations staff	112	113
Administrative staff	5	5
	117	118

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	1,720,796	1,696,753
Social security costs	81,134	74,265
Pension costs	40,086	26,886
	1,842,016	1,797,904

The directors received no remuneration from the company and accrued no retirement benefits under money purchase pension schemes in either the current or previous year. Directors' remuneration is borne by the parent company Centre Island Hotels Limited.

5 Operating profit

Operating profit for the year is stated after charging:	2019 £	2018 £
Fees payable to the company's auditor for the audit of the company's financial statements	6,870	6,425
Depreciation of owned tangible fixed assets	367,009	323,998
Operating lease charges	378,015	324,207

6 Interest payable and similar expenses

	2019 £	2018 £
Interest on bank overdrafts and loans	263,298	273,394

7 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	175,780	169,733
Adjustments in respect of prior periods	-	250
Group tax relief	-	26,957
Total current tax	175,780	196,940
Deferred tax		
Origination and reversal of timing differences	(3,513)	(9,715)
Adjustment in respect of prior periods	-	(222)
Total deferred tax	(3,513)	(9,937)
Total tax charge	172,267	187,003

7 Taxation (Continued)

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	903,394	1,030,240
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	171,645	195,746
Tax effect of expenses that are not deductible in determining taxable profit	36	12
Adjustments in respect of prior years	-	250
Deferred tax adjustments in respect of prior years	-	(222)
Adjust deferred tax to reconciliation rate	413	1,143
Fixed asset differences	173	(9,926)
Taxation charge for the year	172,267	187,003

In addition to the amount charged to profit or loss, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2019 £	2018 £
Deferred tax arising on:		
Revaluation of property	(548,647)	-

8 Tangible fixed assets

	Long leasehold land and buildings	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£
Cost or valuation				
At 1 January 2019	17,909,764	8,560,149	7,394	26,477,307
Additions	-	82,222	-	82,222
Revaluation	(3,227,336)	-	-	(3,227,336)
At 31 December 2019	14,682,428	8,642,371	7,394	23,332,193
Depreciation and impairment				
At 1 January 2019	-	6,694,458	7,394	6,701,852
Depreciation charged in the year	-	367,009	-	367,009
At 31 December 2019	-	7,061,467	7,394	7,068,861
Carrying amount				
At 31 December 2019	14,682,428	1,580,904	-	16,263,332
At 31 December 2018	17,909,764	1,865,691	-	19,775,455

The hotels were independently valued at £16.3m by Cushman and Wakefield, Chartered Surveyors, on a Market Value basis as at 17 September 2019. The valuations were carried out in accordance with the RICS Valuation - Global Standards, which incorporate the International Valuation Standards ('IVS') and the RICS UK Valuation Standards (the 'RICS Red Book'). The valuations undertaken applied to land, buildings, fixtures and fittings. In the opinion of the directors there has been no material change in the value of the hotels' land and buildings since this date. The movement in the carrying value of the associated fixtures and fittings is reflected by additions and the depreciation charged in the intervening period.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2019	2018
	£	£
Cost	10,097,108	10,097,108
Accumulated depreciation	-	-
Carrying value	10,097,108	10,097,108

9 Stocks

	2019	2018
	£	£
Food, beverage and supplies	19,787	16,657

10 Debtors

	2019	2018
Amounts falling due within one year:	**£**	**£**
Trade debtors	91,949	148,929
Amounts owed by group undertakings	1,901,090	1,257,453
Prepayments and accrued income	206,268	172,072
	2,199,307	1,578,454

11 Creditors: amounts falling due within one year

	Notes	2019 £	2018 £
Bank loans and overdrafts	13	347,407	347,407
Trade creditors		535,575	280,441
Amounts owed to group undertakings		1,278,918	1,412,488
Corporation tax		175,780	169,733
Other taxation and social security		136,917	244,956
Other creditors		354	19,208
Accruals and deferred income		103,837	365,040
		2,578,788	2,839,273

12 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Bank loans and overdrafts	13	6,735,659	7,083,032

13 Borrowings

	2019 £	2018 £
Bank loans	7,083,066	7,430,439
Payable within one year	347,407	347,407
Payable after one year	6,735,659	7,083,032

Borrowings reflect the company's share of a group facility. The group facility was renewed on 4 April 2017 and comprises loans totalling £45.8m. The period of the loans is five years and the facility will be due for renewal on 31 March 2022. Quarterly repayments of £375,000 were made on 30 June 2017, 30 September 2017 and 31 December 2017 and 31 March 2018, and increased to quarterly repayments of £500,000 thereafter. Interest is charged at LIBOR + 2.90% (reducing to LIBOR + 2.75% from March 2019) and is payable quarterly. The borrowings are secured on the group's hotel properties.

14 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Balances:	Liabilities 2019 £	Liabilities 2018 £
Fixed asset timing differences	32,428	32,199
Revaluations	779,504	1,328,151
Short term timing differences	(4,001)	(259)
	807,931	1,360,091

Movements in the year:	2019 £
Liability at 1 January 2019	1,360,091
Credit to profit or loss	(3,513)
Credit to other comprehensive income (see note 7)	(548,647)
Liability at 31 December 2019	807,931

Approximately £16,813 (2018 - £9,659) of the deferred tax liability relating to fixed asset timing differences is expected to reverse within 12 months as depreciation charged on the underlying assets exceeds tax allowances claimed in the period. The deferred tax liability relating to revaluations will reverse only if the applicable rate of tax is reduced, the valuation of the company's properties decreases or they are sold.

15 Retirement benefit schemes

Defined contribution schemes	2019 £	2018 £
Charge to profit or loss in respect of defined contribution schemes	40,086	26,886

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

16 Share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
200 Ordinary shares of £1 each	200	200
	200	200

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

17 Reserves

Share premium
Share premium reflects consideration for shares issued above their nominal value, net of transaction costs.

Revaluation reserve
The revaluation reserve reflects revaluation gains and losses in respect of land and buildings, except revaluation gains and losses recognised in profit or loss, net of tax.

Profit and loss reserves
The profit and loss reserves reflect cumulative profit and losses net of distributions to members.

18 Financial commitments, guarantees and contingent liabilities

The company's bankers hold a composite guarantee and indemnity covering all sums due from Centre Island Hotels Limited, Centre Island Preston Limited, Centre Island Birmingham Limited, Centre Island Development Company Limited, Centre Island Development Company (1997) Limited, Bestissue Limited, Centre Island Albert Dock Limited, Centre Island Management Limited and H. I. Lime Street Limited. At the year end the total potential group liability stood at £37,915,971 (2018 - £38,844,414).

19 Operating lease commitments

Lessee
Operating lease payments reflect rentals payable by the company, including related service charges, for the long leasehold land and buildings from which it undertakes its principal activity.

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019	2018
	£	£
Within one year	378,015	324,207
Between one and five years	1,512,060	1,296,829
In over five years	19,873,092	17,543,157
	21,763,167	19,164,193

20 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2019	2018
	£	£
Acquisition of tangible fixed assets	229,109	-

21 Events after the reporting date

In early 2020 the world economy began to be affected by the COVID-19 outbreak. The outbreak spread across many countries and disrupted general economic activity and business and leisure travel. The outbreak and the measures taken by governments to control its spread had a major impact on the UK hotel market, forcing the closure of the hotels for much of 2020.

Under generally accepted accounting practice the outbreak is considered to be a non-adjusting post balance sheet event. The directors have therefore made no adjustments to the carrying values of assets and liabilities reported at 31 December 2019. At the date of signing these financial statements, as the UK and worldwide vaccination programmes begin to take effect, the outlook is improving and the hotels are making preparations to reopen when practicable.

The outbreak is expected to affect the carrying values of the hotels. A full valuation exercise is ongoing and will be reflected in the financial statements for the year ended 31 December 2020.

22 Related party transactions

During the year, the company received £192 (2018 - £371) and paid £111 (2018 – nil) in respect of amounts recharged for services provided to and by non-group entities which have directors in common with the company. No amounts were outstanding at the end of the year (2018 – nil).

The company has taken advantage of the exemption available under Section 33 of FRS 102 and has not disclosed details of transactions or balances with other wholly-owned companies in the group headed by Centre Island Hotels Limited.

23 Ultimate controlling party

The immediate parent company is Centre Island Hotels Limited, a company incorporated in the United Kingdom and registered in England and Wales. Centre Island Hotels Limited heads the largest and smallest group in which the results of the company are consolidated. Its consolidated financial statements are available from its registered office, Crowne Plaza Liverpool, St. Nicholas Place, Princes Dock, Liverpool, England, L3 1QW.

The ultimate parent company is Travan Services Limited, a company incorporated in the Isle of Man. Travan Services Limited does not prepare consolidated financial statements. Its registered office is First Names House, Victoria Road, Douglas, Isle of Man, IM2 4DF. In the opinion of the directors there is no ultimate controlling party.