

BDL Milton Keynes Limited

Report and Financial Statements

3 November 2013



Directors

S Campbell
R N Morrow
D G Thompson (resigned 20 February 2014)
S J McCaffer (resigned 15 May 2013)

Secretary

P M Ross (appointed 15 May 2013)
S McCaffer (resigned 15 May 2013)

Auditors

Ernst & Young LLP
G1 Building
5 George Square
Glasgow G2 1DY

Bankers

Bank of Scotland
8 Lochside Avenue
Edinburgh Park
South Gyle
Edinburgh EH12 9DJ

Solicitors

Pinsent Masons LLP
141 Bothwell Street
Glasgow G2 7EQ

Registered Office

C/o Redefine BDL Hotels
Commerce Road
Brentford
Middlesex TW8 8GA

Registered No. 05295870

Directors' report

The directors present their report and financial statements for the year ended 3 November 2013.

Results and dividends

The profit for the year after taxation amounted to £467,435 (2012 –£373,466). The directors do not recommend the payment of a dividend, leaving a transfer to reserves of £467,435 (2012 –£373,466).

Principal activity

The principal activity of the company is the development, construction and trading of hotels.

Directors

The directors who served the company during the year were as follows:

S Campbell

R N Morrow

D G Thompson (resigned 20 February 2014)

S J McCaffer (resigned 15 May 2013)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Small company exemptions

This report has been prepared in accordance with the special provisions applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

On behalf of the Board



S Campbell
Director

11 December 2014

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 judgments 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 auditors' report

to the members of BDL Milton Keynes Limited

We have audited the financial statements of BDL Milton Keynes Limited for the year ended 3 November 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the audited financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 3 November 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

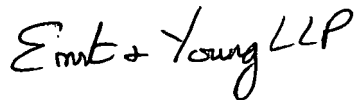
Independent auditors' report (Continued)

to the members of BDL Milton Keynes Limited

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in not preparing the Directors Report.



Mark Harvey (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow

11 December 2014

Profit and loss account

for the year ended 3 November 2013

	Notes	2013 £	2012 £
Turnover	2	3,027,422	2,929,633
Cost of sales		(1,805,766)	(1,783,047)
Gross profit		1,221,656	1,146,586
Administrative expenses		(445,924)	(483,309)
Operating profit	3	775,732	663,277
Interest payable and similar charges	6	(336,797)	(379,811)
Profit on ordinary activities before taxation		438,935	283,466
Tax	7	28,500	90,000
Profit for the financial year	13	467,435	373,466

All amounts relate to continuing operations.

Statement of total recognised gains and losses

for the year ended 3 November 2013

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £467,435 the year ended 3 November 2013 (2012 –£373,466).

Balance sheet

At 3 November 2013

	Notes	2013 £	2012 £
Fixed assets			
Tangible assets	8	10,263,126	10,491,272
Current assets			
Debtors	9	344,861	260,515
Stock		5,591	4,421
Cash at bank and in hand		284,002	248,102
		634,454	513,038
Creditors: amounts falling due within one year	10	(533,009)	(651,512)
Net current assets/(liabilities)		101,445	(138,474)
Total assets less current liabilities	11	10,364,571	10,352,798
Creditors: amounts falling due after more than one year	11	(12,761,005)	(13,200,000)
Deferred income	12	(133,333)	(150,000)
Net liabilities\		<u>(2,529,767)</u>	<u>(2,997,202)</u>
Capital and reserves			
Called up share capital	13	2,180	2,180
Profit and loss account	14	(2,531,947)	(2,999,382)
Shareholder's deficits	14	<u>(2,529,767)</u>	<u>(2,997,202)</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements of BDL Milton Keynes Limited (registered number 05295870) were approved on behalf of the board by



S Campbell

Director

11 December 2014

Notes to the financial statements

At 3 November 2013

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Going concern

The financial statements are prepared on a going concern basis. The directors have assessed this to be appropriate on the basis that the Company's forecasts and projections show that the Company should have sufficient cash and headroom within its lending facilities to meet their liabilities as they fall due.

Tangible fixed assets

All fixed assets are initially recorded at cost. Costs include associated legal and professional fees and capitalised interest charges.

Land and buildings were revalued at 30 January 2009 with the revaluation deficit taken against the revaluation reserve and the profit and loss account.

Depreciation is not charged on assets under construction until the point of completion. Depreciation has been provided on all tangible fixed assets, other than land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Buildings	–	40 years to 40% residual value
Fixtures and fittings	–	4-10 years to nil residual value
Plant and machinery	–	4-15 years to nil residual value

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

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

Notes to the financial statements

At 3 November 2013

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Interest bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at net proceeds. After initial recognition debt is increased by the finance costs in respect of the reporting periods and reduced by payments made in respect of the debts of the period. Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Pensions

The company operates defined contribution pension schemes. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

Development advances

The development advance in respect of the licence agreement for the Ramada Encore brand has been credited to a deferred income account and is released to profit over the life of the licence agreement (15 years) by equal annual instalments.

2. Turnover

Turnover, which is stated net of value added tax, represents the invoiced amount of goods sold and services provided during the period.

Turnover and pre-tax profit is attributable to one continuing activity, the development, construction and trading of hotels. The turnover is wholly generated within the United Kingdom.

Notes to the financial statements

At 3 November 2013

3. Operating profit

This is stated after charging:

	2013 £	2012 £
Auditors' remuneration	3,800	3,750
Depreciation of owned tangible fixed assets	228,522	225,989
Operating leases – plant and equipment	<u>1,287</u>	<u>1,043</u>

4. Directors' remuneration

None of the directors have been remunerated for their services as directors of the company (2012– £nil).

5. Staff costs

	2013 £	2012 £
Wages and salaries	411,762	423,965
Social security costs	28,772	29,481
Pension costs	<u>3,704</u>	<u>3,368</u>
	<u>444,238</u>	<u>456,814</u>

The average monthly number of employees during the year was made up as follows:

	No.	No.
Operational	<u>38</u>	<u>43</u>

6. Interest payable and similar charges

	2013 £	2012 £
Bank loan interest	330,267	364,099
Shareholder loan interest	<u>6,530</u>	<u>15,712</u>
	<u>336,797</u>	<u>379,811</u>

Notes to the financial statements

At 3 November 2013

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2013 £	2012 £
Current tax:		
UK corporation tax on the profit for the year	–	–
Adjustments in respect of prior periods	–	–
	<u>–</u>	<u>–</u>
Deferred tax:		
Origination and reversal of timing differences	(28,500)	(90,000)
Tax on profits on ordinary activities (note 7(b))	<u>(28,500)</u>	<u>(90,000)</u>

(b) Factors affecting the current tax credit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 23.42% (2012–24.84%). The differences are explained below:

	2013 £	2012 £
Profit on ordinary activities before tax	<u>438,935</u>	<u>283,466</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.42% (2012 – 24.84%)	102,784	70,413
<i>Effects of:</i>		
Expenses not deductible for tax purposes	16,004	16,977
Capital allowances less than depreciation	32,870	34,176
Other timing differences	4,519	4,648
Utilisation of brought forward tax losses	(156,177)	(126,214)
Current tax for the year (note 7(a))	<u>–</u>	<u>–</u>

(c) Deferred tax

The deferred tax asset unrecognised is as follows:

	2013 £	2012 £
Depreciation in excess of capital allowances	176,915	154,086
Other timing differences	(247,682)	(265,360)
Tax losses carried forward	189,267	640,225
	<u>118,500</u>	<u>528,951</u>

Notes to the financial statements

At 3 November 2013

Tax (Continued)

The deferred tax asset unrecognised is as follows:

	<u>2013</u>	<u>2012</u>
	<u>£</u>	<u>£</u>
Tax losses	<u>272,887</u>	<u>483,981</u>

(d) Factors that may affect future tax charges

The rate of corporation tax reduced from 26% to 24%, effective from 1 April 2012, and to 23%, effective from 1 April 2013. A reduction to 21%, effective from 1 April 2014, and a reduction to 20%, effective from 1 April 2015, was included in the Finance Act 2013 which was enacted on 17 July 2013. The deferred tax balances as at 3 November 2013 have been restated at a rate of 21.83% as this is the rate at which deferred tax is expected to reverse.

8. Tangible fixed assets

	<i>Long leasehold land and buildings</i>	<i>Plant and machinery</i>	<i>Fixtures and fittings</i>	<i>Total</i>
	£	£	£	£
Cost or valuation:				
At 28 October 2012	10,659,241	142,455	797,009	11,598,705
Additions	-	-	376	376
At 3 November 2013	<u>10,659,241</u>	<u>142,455</u>	<u>797,385</u>	<u>11,599,081</u>
Depreciation:				
At 28 October 2012	554,827	56,852	495,754	1,107,433
Charge for year	144,318	9,498	74,707	228,523
At 3 November 2013	<u>699,145</u>	<u>66,350</u>	<u>570,461</u>	<u>1,335,956</u>
Net book value:				
At 3 November 2013	<u>9,960,096</u>	<u>76,105</u>	<u>226,924</u>	<u>10,263,125</u>
At 28 October 2012	<u>10,104,414</u>	<u>85,603</u>	<u>301,255</u>	<u>10,491,272</u>

Included within land and buildings is £544,472 (2012 – £544,472) of capitalised interest.

Land and buildings were valued at £11,400,000 by Atisreal as at 30 January 2009 on the basis of value in use in accordance with the Appraisal and Valuation Manual of The Royal Institute of Chartered Surveyors.

The current value is lower than the historical cost value. The Directors consider that had the property been accounted for at historical cost, a provision for impairment would have been required to bring the value down to the level of the valuation. There is therefore no difference between valuation and historic cost.

Notes to the financial statements

At 3 November 2013

9. Debtors

	2013	2012
	£	£
Trade debtors	133,782	111,178
Other debtors	24,391	22,677
Prepayments and accrued income	68,188	36,660
Deferred tax asset	118,500	90,000
	<u>344,861</u>	<u>260,515</u>

10. Creditors: amounts falling due within one year

	2013	2012
	£	£
Trade creditors	73,087	64,135
Other taxes and social security costs	6,428	8,167
Accruals	331,695	227,912
VAT payable	121,799	98,972
Shareholder loan (note 17)	-	180,963
Bank loans (note 11)	-	71,363
	<u>533,009</u>	<u>651,512</u>

11. Creditors: amounts falling due in more than one year

Bank loans fall due as follows:

	2013	2012
	£	£
In one year or less or on demand	-	71,363
In more than one year but not more than two years	-	13,200,000
In more than two years but not more than five years	12,761,005	-
In more than five years	-	-
	<u>12,761,005</u>	<u>13,271,363</u>

The £12.7m loan facility is repayable in full on 30 July 2017 and is supported by fixed and floating charges and a standard security over the company's assets.

Notes to the financial statements

At 3 November 2013

12. Deferred income

	£
Development advances	133,333
At 28 October 2012	150,000
Released to profit and loss account	(16,667)
Balance at 3 November 2013	133,333

The company has received a development advance from Wyndham Hotel Group International Inc in connection with the licence agreement covering the use of the Ramada Encore brand name. The advance will only become repayable if there is a breach of the licence agreement. The advance is released to the profit and loss account in line with the terms of the Licence Agreement.

13. Issued share capital

	No.	2013 £	No.	2012 £
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	200	200	200	200
Ordinary shares of £0.10 each	19,800	1,980	19,800	1,980
		<u>2,180</u>		<u>2,180</u>

14. Reconciliation of shareholders' deficits and movements on reserves

	Ordinary shares £	Profit and loss account £	Total share- holders' deficit £
At 31 October 2011	2,180	(3,372,848)	(3,370,668)
Profit for the financial year	-	373,466	373,466
At 29 October 2012	2,180	(2,999,382)	(2,997,202)
Profit for the financial year	-	467,435	467,435
At 3 November 2013	<u>2,180</u>	<u>(2,531,947)</u>	<u>(2,529,767)</u>

15. Pensions

The company operates defined contribution (money purchase) pension schemes for its directors and senior employees. The assets of the schemes are held separately from those of the company in independently administered funds. The charge for the year was £3,704 (2012 – £3,368) and there were contributions outstanding at the year end of £880 (2012 – £866).

Notes to the financial statements

At 3 November 2013

16. Other financial commitments

At 3 November 2013 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Plant and equipment</i>	
	<i>2013</i>	<i>2012</i>
	<i>£</i>	<i>£</i>
Operating leases which expire:		
Within one year	1,145	1,145
In two to five years	–	–
Over five years	–	–
	<u>1,145</u>	<u>1,145</u>

17. Related party transactions

The company paid fees of £60,000 (2012 – £60,000) to Redefine BDL Management Limited, a company with certain common directors, for management services. At the year end the company was owed £nil from Redefine BDL Management Limited (2012 – due £873).

In 2011, the company received loan notes of £400,000 from its parent undertaking BDL Nominees 2005 Limited. The loan notes were unsecured and attract interest at 4% above the LIBOR rate. The Loan notes are repayable quarterly over a two year period subject to compliance with loan covenants. During the year the company paid interest of £6,530 to BDL Nominees in relation the loan notes (2012 – £15,712). At the year end the company owed nil to BDL Nominees 2005 Limited (2012 – £180,963).

18. Post balance sheet events

Throughout the year the Directors were in discussions with the Bank of Ireland (UK) Limited to extend the company's loan facility agreement. A £12.7m property investment term loan facility was signed on 12 November 2014 with the facility now due to expire on 30th July 2017.

Management information

for the year ended 3 November 2013

The following page does not form part of the statutory financial statements which are the subject of the independent auditors' report on pages 4 to 5.

Detailed trading account

for the year ended 3 November 2013

	2013 £	2012 £
Turnover		
Sales	3,027,422	2,929,633
Administrative expenses		
Cost of food and beverage	(111,761)	(154,478)
Salaries	(440,534)	(453,446)
Contracted-out staff	(221,598)	(217,349)
Pension	(3,704)	(3,368)
Healthcare	(208)	(658)
Commissions	(327,142)	(270,491)
Printing and stationery	(6,576)	(9,206)
Telephone and fax	(6,255)	(6,800)
Property tax	(131,062)	(125,995)
Bad debts	(682)	764
Uniforms	(995)	(907)
TV and satellite costs	(71,169)	(63,688)
Hotel consumables	(141,031)	(137,574)
Operating equipment lease	(1,287)	(1,043)
Travel and subsistence	(8,355)	(6,029)
Training and recruitment	(6,341)	(6,628)
HI royalty and marketing fees	(100,835)	(112,871)
Vehicle costs	(2,254)	(2,794)
Professional fees	(10,423)	(12,257)
Office expenses	(5,486)	(4,480)
Bank charges	(47,926)	(41,184)
Sales and marketing costs	(41,593)	(37,322)
Maintenance contracts	(111,478)	(101,055)
Utilities	(138,134)	(140,183)
Insurances	(17,346)	(14,940)
Depreciation	(228,522)	(225,989)
Provision for renewals	(25,662)	(73,052)
Management fees	(60,000)	(60,000)
Release of deferred income	16,667	16,667
	<u>(2,251,690)</u>	<u>(2,266,356)</u>
Operating profit	<u>775,732</u>	<u>633,277</u>