

**Old Trafford Supporters Club Limited**

**Directors' report and financial  
statements**

**Registered number 07505340**

**31 December 2018**



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## **Company information**

### **Directors**

Gary Neville  
Ryan Giggs  
Chan Lay Hoon (appointed 01 April 2019)  
Wee Tuck Tan (resigned 01 April 2019)  
Hasan Malik

### **Registered office**

St Andrews Chambers  
21 Albert Square  
Manchester  
M2 5PE

### **Company number**

07505340

### **Auditor**

KPMG LLP  
1 St Peter's Square  
Manchester  
M23AE

## Strategic report

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

### Principal activities

The principal activity of the Company continued to be that of the operation of a hotel in Manchester branded as 'Hotel Football'. Operations at the restaurant and event space at the National Football Museum, also in Manchester, continued.

### Business review

The directors have continued their policy of investing in the hotel to improve operational performance and to promote the 'Hotel Football' brand. There is a strong focus on enhancing the customer experience and providing a high class of service.

The directors are pleased with the turnover performance of the business with rooms rate, occupancy and restaurant revenues performing particularly well when compared to the direct competitor set of the Hotel. There have been a number of commercial and operational changes implemented in the reporting period that are having a desired positive effect on profitability and cash generation, with a strategy to significantly improve overall profit conversion. Material changes have also been successfully implemented in the subsequent period, with the main change being the enrolment of Hotel Football as part of the Tribute brand of the biggest hotel group in the world, the Marriott Group of hotels.

Looking forward the directors expect a big focus on driving enhanced revenues where we have already made pleasing progress during 2019.

Our investment in service and operational delivery continues to be recognised with excellent review scores.

The key performance indicators relevant to the year are:

	2018 £'000	2017 £'000
Turnover	7,128	7,445
Earnings before interest, tax, depreciation, amortisation, impairment and exceptional items	450	833
Operating loss	(1,475)	(520)
Net liabilities	(3,773)	(1,653)

### Principal risks and uncertainties

Like any other business, we are subject to a number of risks and uncertainties, which are influenced by both internal and external factors, often outside our control. In this section, we describe the principal risks that could have a material effect on the Company's ability to deliver against its strategy together with the activities in place to mitigate such risks.

#### Quality of service delivery and product

##### Risk and Potential Impact

Consistent delivery of service and product quality is vitally important to creating and maintaining the Hotel Football brand and in influencing consumer preference. As supply increases, particularly in our immediate vicinity, business may be lost to newer hotels and/or rates may have to be reduced to remain competitive.

## Strategic report (continued)

### Principal risks and uncertainties (continued)

#### Mitigating Activities

The Company operates and manages the property itself, and therefore is able to exercise control over the service and product quality. The Company has in place brand and operating standards, and regularly refreshes those, to provide for consistent service delivery and product quality.

#### Intellectual property rights and brands

##### Risk and Potential Impact

Future growth and pricing power and the image and reputation of the Company in general will, in part, be dependent on the recognition of the Hotel Football and Café Football brands and perception of the values inherent in those brands.

The ability of the company to protect its intellectual property rights in those brands is instrumental in preventing them from deteriorating in value.

#### Mitigating Activities

The Company protects its investment in the brands by way of trade mark registration, enforcement of intellectual property rights and domain name protection.

#### Increasing competition

##### Risk and Potential Impact

The hotel industry operates within an inherently cyclical marketplace where competition, both online and offline, is increasing. An increase in market room supply, without corresponding increases in demand, may lead to downward pressure on rates, which in turn could negatively impact the Company's performance. With regard to online competition, the Company's hotel rooms are booked through a number of distribution channels, one of which is the online travel agency ("OTA"). OTAs tend to have higher commission rates than more traditional distribution channels and are taking an increasing share of bookings across the sector. One of the effect of the Marriott brand is that the commissions from these OTAs will now be lower. Over time, consumers may develop loyalties to the OTAs rather than to our brands. These trends may impact our profitability. In addition, sharing economy platforms, such as Airbnb, may expand their market share and compete with more traditional business and leisure accommodations.

#### Mitigating Activities

The Company's flexible financial control and revenue management systems help it to control costs and achieve better yields in volatile trading conditions. The Company continues to refresh its digital marketing strategy and invest in its e-commerce, customer relationship management, revenue management and reservations systems in order to help increase rates, retain existing customers and generate new business.

#### Financial

##### Risk and Potential Impact

Unhedged interest rate exposures pose a risk to the company when interest rates rise, resulting in increased costs of funding and an impact on overall financial performance.

#### Mitigating Activities

Interest rate hedges are only used to manage interest rate risk to the extent the perceived costs are considered to outweigh the benefits of having flexible, variable-rate debt.

#### Brexit

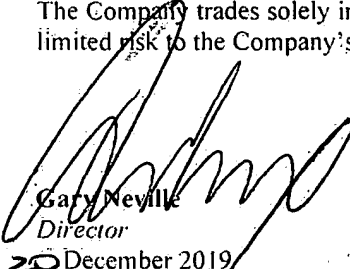
##### Risk and Potential Impact

Trade and costs are adversely affected as a result of the uncertainty surrounding the UK's decision to exit the European Union.

## Strategic report (continued)

### Mitigating Activities

The Company trades solely in the UK with UK-based suppliers and as such the Board believes this only represents a limited risk to the Company's results, and the Board will continue to monitor the impact of Brexit as it develops.



Gary Neville  
Director  
20 December 2019

St Andrew's Chambers  
21 Albert Square  
Manchester  
M2 5PE

## Directors' report

### Principal activities

The principal activity of the Company continued to be that of the operation of a hotel in Manchester branded as 'Hotel Football'. Operations at the restaurant and event space at the National Football Museum, also in Manchester, continued. The results for the period are set out on page 11 of these financial statements.

### Directors

The directors who held office during the period and since the period end were as follows:

Gary Neville  
Ryan Giggs  
Chan Lay Hoon (appointed 01 April 2019)  
Wee Tuck Tan (resigned 01 April 2019)  
Hasan Malik

### Political and charitable contributions

There were no political or charitable donations in either the current or preceding years.

### Dividends

The Company did not declare any interim or final dividends in either the current year or preceding period.

### 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 himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Going concern

Notwithstanding net current liabilities of £125,000 as at 31 December 2018 and a loss for the year then ended of £2,120,000, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Company is cash generative and has generated significant positive earnings before interest, depreciation, amortisation and exceptional items in recent years. Whilst the hotel has a strong sales base the directors have implemented a number of cost restructuring and other measures to further improve operating profitability and cash flow during 2019. The directors have prepared profit and cash flow forecasts until December 2020 taking into account the impact of these actions. The forecasts show that the Company has generated an improvement in EBITDA during 2019 and a further increase in 2020. In addition, these forecasts show that the company will remain within the covenants set under its external banking facilities for the foreseeable future. The external banking facilities expire on 30 March 2022.

As such the cash flow forecasts until December 2020 (being a period of 12 months from the date of approval of these financial statements) indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period. In addition, these forecasts show that the company will remain within the covenants set under its external banking facilities for the foreseeable future. The external banking facilities expire on 30 March 2022.

Those forecasts are dependent on the company's immediate parent company, Orchid Leisure Limited not seeking repayment of the amounts currently due to the group, which at 31 December 2018 amounted to £10,051,000. Orchid Leisure Limited has indicated that it does not intend to seek repayment of these amounts for the period covered by the forecasts.

In addition to the above, the Company has received a letter of support from its ultimate parent company RSP Holdings PTE Limited stating that it will continue to provide such funds as are needed by the company until at least 12 January 2021.

## Directors' report (continued)

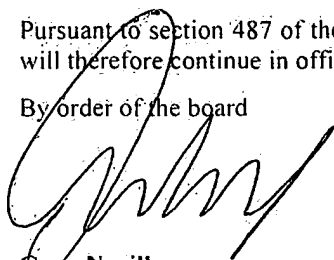
As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Gary Neville  
Director

20 December 2019

St Andrew's Chambers  
21 Albert Square  
Manchester  
M2 5PE



## **Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 control as they determine is 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.



## **Independent auditor's report to the members of Old Trafford Supporters Club Limited**

### **Opinion**

We have audited the financial statements of Old Trafford Supporters Club Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and 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 their 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. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 group or the company will continue in operation.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements 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 strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports 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 by the parent company, 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.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is 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.

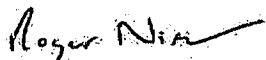
### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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**

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.



**Roger Nixon (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
1 St Peter's Square  
Manchester  
M2 3AE  
20 December 2019

**Profit and Loss Account and Other Comprehensive Income**  
*for the year ended 31 December 2018*

	Note	Year ended 31 December 2018	Year ended 31 December 2017
		£000	£000
<b>Turnover</b>	2	7,128	7,445
Cost of sales		(1,516)	(1,674)
<b>Gross profit</b>		<b>5,612</b>	<b>5,771</b>
Administrative expenses excluding depreciation and exceptional costs		(5,662)	(5,445)
Other operating income	2	500	507
<b>Operating profit before depreciation and exceptional costs</b>		<b>450</b>	<b>833</b>
Depreciation		(876)	(854)
Exceptional costs	4	(1,049)	(499)
<b>Operating loss</b>	3-5	<b>(1,475)</b>	<b>(520)</b>
Interest payable and similar expenses	6	(645)	(612)
<b>Loss before taxation</b>		<b>(2,120)</b>	<b>(1,132)</b>
Tax on loss	7	-	-
<b>Loss after taxation for the financial year and other comprehensive income</b>		<b>(2,120)</b>	<b>(1,132)</b>

There were no recognised gains or losses other than the result for the financial period in either year.

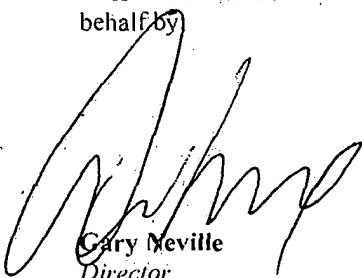
The notes and accounting policies on pages 14 to 23 form part of these financial statements.

**Balance Sheet**  
 at 31 December 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
<b>Fixed assets</b>					
Tangible assets	8		16,872		17,571
<b>Current assets</b>					
Stocks	9	76		88	
Debtors: amounts falling due after more than one year	10	964		-	
Debtors: amounts falling due within one year	10	721		2,607	
Cash at bank and in hand		261		-	
		<u>2,022</u>		<u>2,695</u>	
Creditors: amounts falling due within one year	11	(2,147)		(3,706)	
<b>Net current liabilities</b>			(125)		(1,011)
<b>Total assets less current liabilities</b>			16,747		16,560
Creditors: amounts falling due after more than one year	12		(20,520)		(18,213)
<b>Net liabilities</b>			(3,773)		(1,653)
<b>Capital and reserves</b>					
Called up share capital	14		161		161
Share premium			492		492
Capital contribution reserve			1,079		1,331
Profit and loss account			(5,505)		(3,637)
<b>Shareholders' (deficit)</b>			(3,773)		(1,653)

The notes on pages 14 to 23 form part of these financial statements.

These financial statements were approved by the board of directors on 20 December 2019 and were signed on its behalf by



Gary Neville  
 Director

Company registered number: 07505340

## Statement of Changes in Equity

	Called up Share capital	Share premium	Capital contribution reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2017	161	492	1,545	(2,719)	(521)
<b>Total comprehensive income for the year</b>					
Loss for the financial year	-	-	-	(1,132)	(1,132)
<b>Total comprehensive loss for the year</b>					
Transfer	-	-	(214)	214	-
<b>Balance at 31 December 2017</b>	<b>161</b>	<b>492</b>	<b>1,331</b>	<b>(3,637)</b>	<b>(1,653)</b>

	Called up Share capital	Share premium	Capital contribution reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2018	161	492	1,331	(3,637)	(1,653)
<b>Total comprehensive income for the year</b>					
Loss for the financial year	-	-	-	(2,120)	(2,120)
<b>Total comprehensive loss for the year</b>					
Transfer	-	-	(252)	252	-
<b>Balance at 31 December 2018</b>	<b>161</b>	<b>492</b>	<b>1,079</b>	<b>(5,505)</b>	<b>(3,773)</b>

The notes on pages 14 to 23 form part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1. Accounting policies

Old Trafford Supporters Club Limited (the "Company") is a private company limited by shares and incorporated and domiciled in the UK (England). The registered number is and the registered office is St Andrews Chambers, 21 Albert Square, Manchester, United Kingdom, M2 5PE. These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The presentation currency of these financial statements is in sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking during the year, Thomson Medical Group Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Thomson Medical Group Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the address given in note 17. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Thomson Medical Group Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

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

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified at fair value through the profit or loss.

#### 1.2 Going concern

Notwithstanding net current liabilities of £125,000 as at 31 December 2018 and a loss for the year then ended of £2,120,000, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Company is cash generative and has generated significant positive earnings before interest, depreciation, amortisation and exceptional items in recent years. Whilst the hotel has a strong sales base the directors have implemented a number of cost restructuring and other measures to further improve operating profitability and cash flow during 2019. The directors have prepared profit and cash flow forecasts until December 2020 taking into account the impact of these actions. The forecasts show that the Company has generated an improvement in EBITDA during 2019 and a further increase in 2020. In addition, these forecasts show that the company will remain within the covenants set under its external banking facilities for the foreseeable future. The external banking facilities expire on 30 March 2022.



## Notes (continued)

### 1. Accounting policies (continued)

As such the cash flow forecasts until December 2020 (being a period of 12 months from the date of approval of these financial statements) indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period. In addition, these forecasts show that the company will remain within the covenants set under its external banking facilities for the foreseeable future. The external banking facilities expire on 30 March 2022.

Those forecasts are dependent on the company's immediate parent company, Orchid Leisure Limited not seeking repayment of the amounts currently due to the group, which at 31 December 2018 amounted to £10,051,000. Orchid Leisure Limited has indicated that it does not intend to seek repayment of these amounts for the period covered by the forecasts.

In addition to the above, the Company has received a letter of support from its ultimate parent company RSP Holdings PTE Limited stating that it will continue to provide such funds as are needed by the company until at least 12 January 2021.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### 1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

### 1.4 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

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

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

## Notes (continued)

### 1. Accounting policies (continued)

#### 1.5 Basic financial instruments

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

#### 1.6 Other financial instruments

##### *Financial instruments not considered to be Basic financial instruments (Other financial instruments)*

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss.

#### 1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Plant and machinery	5 to 10 years
Property	50 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

#### 1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

#### 1.9 Employee benefits

##### *Defined contribution plans and other long term employee benefits*

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 profit and loss account in the periods during which services are rendered by employees.

#### 1.10 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services during the year. Hotel revenue is recognised on the date of stay. Restaurant and bar revenue is recognised at the point of sale.

## Notes (continued)

### 1. Accounting policies (continued)

#### 1.11 Expenses

##### *Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

##### *Interest receivable and Interest payable*

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

#### 1.12 Taxation

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

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 balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

### 2. Turnover and Other Operating Income

All turnover arose in the United Kingdom and related to the operation of a hotel and restaurant.

Other operating income is composed of rebates of £101,666 (2017: £103,333) and income of £398,267 (2017: £404,045) for a suite rented out to a related party.

## Notes (continued)

### 3. Auditor's remuneration

	2018 £000	2017 £000
<i>Auditor's remuneration:</i>		
Audit of these financial statements	30	20
Other services relating to taxation	8	5
	<u>38</u>	<u>25</u>

### 4. Exceptional items

Included within exceptional items is £662,000 relating to the impairment of loans to related parties (following the cessation of operations at related party businesses The Rabbit in the Moon and Café Football London), and £387,000 relating to an adjustment to the present value of an interest free loan provided to another related party, GG Hospitality Management Limited.

The exceptional items in the prior year were £325,000 relating to the impairment of fixed assets and £174,000 relating to one-off costs incurred during that year that were not considered by the Directors' to be representative of the underlying trading of the business.

### 5. Staff numbers and costs

The average number of persons employed by the Company (excluding those directors who perform their duties wholly outside the UK) during the period, analysed by category, was as follows:

	Number of employees	
	2018	2017
Management	1	1
Finance and administration	7	9
Operations	171	169
	<u>179</u>	<u>179</u>

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	2,754	2,910
Social security costs	200	196
Pension costs	34	13
	<u>2,988</u>	<u>3,119</u>

Directors are not paid any remuneration by the company as their role in this company is incidental to their wider role in other group companies. As such they provide no material qualifying services to the Company and thus no allocation of remuneration has been disclosed in these financial statements.

**Notes (continued)**

**6 Interest payable and similar expenses**

	2018 £000	2017 £000
Bank interest	393	398
Interest on intercompany loans	252	214
	<u>645</u>	<u>612</u>

**7. Taxation**

**Total tax expense recognised in the profit and loss account, other comprehensive income and equity**

	2018 £000	£000	2017 £000	£000
<i>Current tax</i>				
Current tax on income for the period		-		-
Total current tax		-		-
<i>Deferred tax (see note 13)</i>				
Origination and reversal of timing differences	-	-	-	-
Change in tax rate	-	-	-	-
Adjustments in respect of prior periods	-	-	-	-
Total deferred tax		-		-
Total tax		-		-

	2018 £000	£000	2018 £000	2017 £000	£000	2017 £000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	-	-	-	-	-	-
Total tax	-	-	-	-	-	-

## Notes (continued)

### Reconciliation of effective tax rate

	2018 £000	2017 £000
Loss for the year	(2,120)	(1,132)
Total tax expense	-	-
Loss excluding taxation	(2,120)	(1,132)
Tax using the UK corporation tax rate of 19.25% (2017: 20%)	(403)	(218)
Non-deductible expenses	414	235
Deferred tax not recognised	(11)	(15)
De-recognition of deferred tax on losses	-	-
Effect of change in rate	-	(2)
Adjustments in respect of prior year	-	-
Total tax expense included in profit	-	-

From 1 April 2018, the main rate of corporation tax was reduced to 19%. A Further reduction to 18% (effective from 1 April 2020) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the company's future current tax charge accordingly.

### 8. Tangible fixed assets

	Property, plant and equipment £000
<b>Cost</b>	
As at 1 January 2018	20,215
Additions	177
As at 31 December 2018	20,392
<b>Depreciation</b>	
As at 1 January 2018	2,644
Charge for period	876
Impairment	-
As at 31 December 2018	3,520
<b>Net book value</b>	
As at 31 December 2018	16,872
As at 31 December 2017	17,571

## Notes (continued)

### 9. Stock

	2018 £000	2017 £000
Food and beverage	76	88

### 10. Debtors

#### Debtors: amounts falling due within one year

	2018 £000	2017 £000
Trade debtors	391	493
Other debtors	143	1,859
Prepayments and accrued income	187	255
	<u>721</u>	<u>2,607</u>

#### Debtors: amounts falling due after more than one year

	2018 £000	2017 £000
Other debtors	964	-
	<u>964</u>	<u>-</u>

Included within amounts due after more than one year is a loan of £963,524 to GG Hospitality Management Limited, a related party:

### 11. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Loans and overdrafts	214	718
Trade creditors	933	946
Taxation and social security	375	394
Accruals and deferred income	395	1,432
Other creditors	230	216
	<u>2,147</u>	<u>3,706</u>

## Notes (continued)

### 12. Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Bank loans and overdrafts	11,549	9,993
Other loans	8,971	8,220
	<u>20,520</u>	<u>18,213</u>

Included within bank loans and overdrafts is a bank loan of £11,763,000 which was secured by way of a fixed and floating charge over all assets of the company. The facility is due for repayment in full on 30 March 2022. Capital repayments of 1% of the original £10,220,000 drawn balance are repayable from 31 March 2018, increasing by 1% per annum over the term of the loan. The loan carried interest of 2.45% + LIBOR but following the increase will carry interest at 2.7% + LIBOR.

Included within other loans is a loan due to Orchid Leisure Limited (a fellow group subsidiary) totalling £10,051,000 (2017: £9,551,000) which is due for repayment in on 30 March 2022. This loan carries no interest. Accordingly the loan has been recognised at present value by discounting the loan at a market rate of interest with a corresponding entry within capital contribution reserve. Changes in present value are recorded as an interest charge in the profit and loss account.

### 13. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Accelerated capital allowances	-	-	-	-	-	-
Tax losses	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Tax (assets) / liabilities	-	-	-	-	-	-



## Notes (continued)

### 14. Called up share capital

	2018 £000	2017 £000
<i>Allotted, called up and fully paid</i>		
160,550 Ordinary shares of £1 each	161	161

### 15. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018 £000	2017 £000
Within one year	103	103
Between one and five years	320	380
Over five years	475	518
	898	1,001

Following the year end, on 16<sup>th</sup> September 2019, an agreement was reached to terminate a lease with a total commitment of £210,000.

### 16. Related parties

A loan balance is due to Orchid Leisure Limited, a fellow subsidiary of Thomson Medical Group Limited as described in note 12. Income was received from a related party in respect of rental of a suite at the hotel as described in note 2. Included within other debtors is £963,524 (2017: £1,200,003) due from GG Hospitality Management Limited, a related party, and £116,312 (2017: £105,869) due from Finestday Limited, a related party.

### 17. Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Orchid Leisure Limited. During the year, the ultimate controlling party was Thomson Medical Group Limited. The largest group in which the results of the Company are consolidated is that headed by Thomson Medical Group Limited, incorporated in Singapore. No other group financial statements included the results of the Company. The consolidated financial statements of this group is available to the public and may be obtained from Thomson Medical Group Limited, 1 Kallang Junction, #03-01, Singapore 339263.

Following the year end, in April 2019, the ultimate controlling party changed to RSP Holdings PTE Limited. Following this change, the largest group in which the results of the Company are consolidated will be that headed by RSP Holdings PTE Limited, incorporated in Singapore.

### 18 Critical accounting estimates and judgements

*Valuation of fixed assets* - Where there is an indication that an asset may be impaired, the company is required to test whether assets have suffered any impairment. An impairment arises when book value exceed recoverable amount. The recoverable amount is the higher of value in use or fair value less costs of disposal. The use of these methods requires the estimation of future cash flows and discount rates in order to calculate the present value of the cash flows. Actual outcomes may vary and hence there is inherent uncertainty involved with this estimate. The directors have performed an assessment of carrying value at 31 December 2018 and have concluded the carrying value is recoverable.