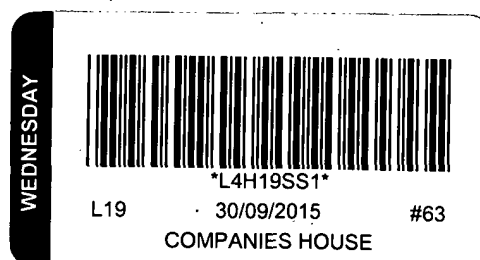


Registered No. 07785139

**Capital Hill Hotels Limited**  
**Annual Report and Financial Statements**  
**31 December 2014**



**Annual report  
For the year ended 31 December 2014**

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**Directors and advisers**

**Directors**

Z E Guiziri

J A Thani

F Bakhos

K Cooper

**Registered office**

50 Berners Street

London

W1T 3NG

**Registered auditors**

Ernst & Young LLP

1 More London Place

London

SE1 2AF

**Strategic report**  
**For the year ended 31 December 2014**

**Review of the business**

The hotel market in London continues to expand its room supply, putting ADR performance under pressure. The results in this financial year were, however, mainly affected by the refurbishment of guest rooms with out of order rooms at Sanderson representing 10,298 room nights and St Martins Lane 17,017 room nights. This represents 18.8% and 22.8% of total available rooms for the year respectively.

In the year under review, the reduced capacity resulted in total hotel revenue below prior year by a combined £5.7m (18.3%).

Gross Operating Profit decreased by a combined 27.7% (£4.2m) through the revenue shortfall in relation to the refurbishment projects.

**Principal risk and uncertainties**

The Company's policy in respect of interest rate risk and liquidity risk is to maintain a mixture of long term and short term debt finance and readily accessible bank deposit accounts to ensure the Company has sufficient funds for operations. Covenant testing points are tracked and reported to the facility provider on a quarterly basis. The cash deposits are held in a mixture of short term deposits and current accounts which earn interest at a floating rate.

The Company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on new customers and by monitoring payments against the agreed credit terms for specific corporate entities. The Company monitors cash flow as part of its day to day control procedures. The directors consider cash flow projections on a monthly basis to ensure that appropriate facilities are available to be drawn upon as necessary.

Rising demand in the mid and long term is expected to see occupancy levels rise, albeit with average room rates under pressure with the increased supply in London. Profit flow through is key and the Company continues to focus on containing costs while ensuring its service offering is exceptional and is delivered in the exciting environment of the hotel properties by minimising the refurbishment impact on guests.

**Key Performance Indicators**

The key performance indicators for the Company are ARR (Average Room Rate), Occupancy (total available rooms divided by the rooms occupied expressed as a percentage), and RevPAR (Revenue Per Available Room) which is a combination of both expressed as £'s.

In the year under review the combined occupancy for the hotels was 65.7% (2013 80.7%), the ARR achieved was £244.93 (2013 £243.82). RevPar (the product of ARR and occupancy) during the period under review was £160.81 (2013 £196.76), which represents a year-on-year reduction of 18.3%.

Taking the refurbishment with 27,315 out of order room nights into consideration, the year under review had an adjusted occupancy of 83.3% (2013 80.7%) and the ARR achieved remains stable at £244.93 (2013 £243.82) resulting in RevPar (the product of ARR and Occupancy) achieved at £203.92 (2013 £196.76). This represents a year-on-year increase of 3.6%.

On behalf of the board



Director

Z E Guiziri

30 September 2015

**Directors' report**

for the year ended 31 December 2014

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2014.

**Principal activities and future developments**

The principal activity of the subsidiary under the Group is to operate two five star hotels in central London – St Martin's Lane and Sanderson. There have been no changes in the Group's activities in the year under review.

**Employee Involvement**

The Group's policy is to give full and fair consideration for applications for employment made by people with disabilities. Wherever possible we will continue the employment of staff that become disabled and provide equal opportunities for the training and development of disabled employees.

The Group recognises the importance of the employees within its business and annually provides a communication program at which the Company's achievements and goals are expressed.

**Financial Instruments**

The Group had a loan facility of £119,500,000 (gross of unamortised issue costs). This has now been replaced (see note 13).

**Directors and their interests**

The directors who served during the year ended 31 December 2014 and up to the date of this report are as follows:

Z E Guiziri  
J A Thani  
F Bakhos  
Karin Cooper

According to the register of directors' interests, the director who held office at the end of the year had no interest in the shares of group companies, nor were any rights to subscribe for shares in group companies granted to, or exercised by, any of the directors.

**Directors' report**

*for the year ended 31 December 2014 (continued)*

**Statement of directors' responsibilities**

The directors are responsible for preparing 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 Group and Company 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 Group and Company and of the profit or loss of the Group and 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

**Going concern**

A new financing facility of £122,000,000 was established in August 2015 and the Group has received confirmation from the controlling party that it will provide financial support for the foreseeable future. The Group is well placed to benefit from the current trading conditions and has no need to liquidate or reduce the scale of its operations. The directors are therefore confident that the Group will meet its liabilities as they fall due.

**Auditors**

The directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant information of which the auditors are unaware.

By order of the board



Director

Z E Guiziri

30 September 2015

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAPITAL HILL HOTELS LIMITED**

We have audited the financial statements of Capital Hill Hotels Limited for the year ended 31 December 2014 which comprise the consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement, the Reconciliation of net debt and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 5, 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 Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 AUDITOR'S REPORT TO THE MEMBERS OF CAPITAL HILL HOTELS GROUP EUROPE LIMITED (continued)**

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.

*Ernst & Young LLP*

*Matthew Williams (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London*

**Date:** *30 September 2015*



**Consolidated profit and loss account**  
**For the year ended 31 December 2014**

	Notes	2014	2013
		£000	£000
<b>Turnover</b>		<b>30,350</b>	31,186
Cost of sales		<u>(10,816)</u>	<u>(7,638)</u>
<b>Gross profit</b>		<b>19,534</b>	23,548
Amortisation of negative goodwill	8	247	247
Administrative expenses		<u>(16,925)</u>	<u>(16,055)</u>
<b>Operating profit</b>	3	<b>2,856</b>	7,740
Interest payable and similar charges	4	<u>(5,565)</u>	<u>(3,758)</u>
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(2,709)</b>	3,982
Tax on (loss)/profit on ordinary activities	5	-	(42)
<b>(Loss)/profit for the financial year</b>		<u><b>(2,709)</b></u>	<u>3,940</u>

All losses arise from continuing operations.

The group has no recognised gains or losses other than the loss for the year.

The historical cost loss and reported loss are the same.

**Consolidated balance sheet**  
**At 31 December 2014**

	Notes	2014 £000	2014 £000	2013 £000	2013 £000
<b>Fixed assets</b>					
Tangible assets	7	203,664		201,103	
Intangible assets	8	(4,183)		(4,430)	
			199,481		196,673
<b>Current assets</b>					
Stock	10	238		129	
Debtors	11	2,176		1,863	
Cash at bank and in hand		3,151		8,960	
		5,564		10,952	
<b>Creditors</b>					
amounts falling due within one year	12	(6,004)		(4,019)	
<b>Net current (liabilities)/assets</b>			(440)		6,933
<b>Total assets less current liabilities</b>			199,041		203,606
<b>Creditors: amounts falling due after more than one year</b>	13		(117,227)		(119,083)
<b>Net assets</b>			81,814		84,523
<b>Capital and reserves</b>					
Called up share capital	15		-		-
Shareholders advance			78,126		78,126
Profit and loss account	16		3,688		6,397
<b>Shareholders' funds</b>	17		81,814		84,523

The financial statements were approved by the board of directors and authorised for issue on 30 September 2015.



Director  
Z E Guiziri

Registered No. 07785139  
Company balance sheet  
At 31 December 2014

	Notes	2014 £000	2014 £000	2013 £000	2013 £000
<b>Fixed assets</b>					
Investment in subsidiary	9		99,159		99,159
<b>Current assets</b>					
Cash at bank and in hand		-		-	
<b>Creditors: amounts falling due within one year</b>	12	<u>(21,058)</u>		<u>(21,048)</u>	
<b>Net current liabilities</b>			<u>(21,058)</u>		<u>(21,048)</u>
<b>Net assets</b>			<u>78,101</u>		<u>78,111</u>
<b>Capital and reserves</b>					
Called up share capital	15		-		-
Shareholders advance			78,126		78,126
Profit and loss account	16		(25)		(15)
<b>Shareholders' funds</b>	17		<u>78,101</u>		<u>78,111</u>

The financial statements were approved by the board of directors and authorised for issue on 30 September 2015.



Director  
Z E Guiziri

**Consolidated cash flow statement**  
**For the year ended 31 December 2014**

	Notes	2014 £000	2013 £000
Net cash inflow from operating activities	19	6,988	10,898
Returns on investments and servicing of finance	20	(5,421)	(3,614)
Capital expenditure	20	<u>(6,877)</u>	<u>(3,797)</u>
Net Cash (outflow)/inflow before taxation and financing		(5,309)	3,487
Taxation		-	-
Financing		<u>(500)</u>	-
(Decrease)/Increase in cash and cash equivalents		<u>(5,809)</u>	<u>3,487</u>

**Reconciliation of net debt**  
**For the year ended 31 December 2014**

	Notes	2014 £000	2013 £000
(Decrease)/Increase in cash in the year		(5,809)	3,487
Net cash inflow from decrease in debt	21	500	-
Non cash movements	21	<u>(144)</u>	<u>(144)</u>
Movements in net debt in the year		(5,453)	3,343
Net debt at the start of the year		(110,624)	(113,966)
Net debt at the end of the year	21	<u>(116,077)</u>	<u>(110,623)</u>

**Notes to the financial statements**  
**For the year ended 31 December 2014**

**1. Principal accounting policies**

The consolidated financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below.

**Basis of consolidation**

The consolidated financial statements include financial statements of the company and following subsidiary for the period ended 31 December 2014.

<i>Name of entity</i>	<i>Country of incorporation</i>	<i>Group effective shareholding percentage 2014</i>
Capital Hill Hotels Group Europe Limited	England and Wales	100

**Investments**

Investments are stated at cost less provision for impairment.

**Fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation and any provision for impairment. Assets are depreciated to their residual values on a straight line basis over their estimated useful lives as follows:

Freehold and long leasehold buildings	50 years
Building surface finishes	25 – 38 years
Plant and machinery	15 years
Fixtures, fittings and equipment	5 – 10 years

No depreciation is provided on freehold land. No residual values are ascribed to building surface finishes.

Freehold land, freehold and long leasehold buildings and building surface finishes are all held as land and buildings within note 7.

Depreciation for assets included under construction in progress are recognised once the asset is placed into use.

**Deferred taxation**

Deferred taxation is provided in respect of certain timing differences that have originated but not reversed at the balance sheet date, where transactions or events have occurred which result in an obligation to pay more or less tax in the future.

Deferred tax is measured at the average tax rates which apply in the period in which the timing differences are expected to reverse. Deferred tax is measured on a non-discounted basis. Deferred tax assets are regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it is more likely than not that there will be adequate future taxable profits against which to recover carried forward tax losses.

**Notes to the financial statements**  
**For the year ended 31 December 2014 (continued)**

**Principal accounting policies (continued)**

**Finance costs**

Finance costs are included within the carrying value of the loan and are amortised over the term of the loan.

**Stocks**

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

**Turnover**

Revenues are generated from the provision of the hotels' guest rooms, food and beverage outlets as well as ancillary services such as rental income from let areas, cancellation fees, concierge services and various others.

- Room revenue is recognised when the room is occupied
- Revenue from provision of food and beverages is recognised when sold
- Service revenue is recognised when the service is provided
- Rental income from operating leases is recognised on a straight line basis

**Pension scheme**

The group operates a defined contribution pension scheme. Contributions are charged to the profit and loss account in the period in which they are incurred.

**Goodwill**

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is different than the fair value of the net assets of the subsidiary acquired, the difference (negative or positive) is recognised in balance sheet and amortised over the period of 20 years.

When estimates of the useful economic lives of goodwill or intangible assets are revised, the carrying value should be amortised over the revised remaining useful economic life.

**Going concern**

A new financing facility of £122,000,000 was established in August 2015 and the group has received confirmation from the controlling party that it will provide financial support for the foreseeable future. The group is well placed to benefit from the current trading conditions and has no need to liquidate or reduce the scale of its operations. The directors are therefore confident that the group will meet its liabilities as they fall due.

**Notes to the financial statements**  
**For the year ended 31 December 2014 (continued)**

**2. Staff numbers and costs**

	<b>2014</b>	<b>2013</b>
	<b>Number</b>	<b>Number</b>
<b>The average number of employees in the year was:</b>		
Hotel operating staff	<b>246</b>	139
Management/administration	<b>25</b>	20
Sales and marketing	<b>14</b>	13
Maintenance	<b>17</b>	18
Total	<b>302</b>	190

None of the directors received any remuneration during the year (2013: Nil). (including contributions to the pension scheme).

**Funded defined contribution scheme for employees**

Pension costs of £119,000 (2013: £76,000) were charged to the profit and loss account of which £nil (2013: £ nil) was outstanding at the balance sheet date.

The pension scheme is held with Standard Life and is administered by Origen.

**3. Operating profit**

This is arrived at after charging:

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Auditors' remuneration:</b>		
Group - audit	<b>63</b>	63
Company - audit	<b>10</b>	10
Depreciation of tangible fixed assets	<b>4,315</b>	3,150

**Notes to the financial statements**  
**For the year ended 31 December 2014 (continued)**

**4. Interest payable and similar charges**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Amounts payable on bank loans and overdrafts	<b>5,421</b>	3,614
Amortisation of issue costs of bank loan	<b>144</b>	144
	<b><u>5,565</u></b>	<b><u>3,758</u></b>

**5. Taxation**

**(a) Analysis of charge in the year**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
United Kingdom corporation tax at 21% (2013: 23%)	-	42
Adjustments in respect of prior years	-	-
Current tax charge (note 6 (b))	<b><u>-</u></b>	<b><u>42</u></b>
Deferred taxation (note 15)	-	-
Tax on profit	<b><u>-</u></b>	<b><u>42</u></b>

**(b) Factors affecting tax charge for the year**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
(Loss) / profit before tax	<b><u>(2,709)</u></b>	<b><u>3,982</u></b>
multiplied by standard rate of corporation tax in the UK of 21.49% (2013: 23.25%)	<b>(582)</b>	1,057
<i>Effects of:</i>		
Expenses not deductible for tax purposes	<b>476</b>	504
Capital allowances in excess of depreciation	<b>(545)</b>	223
Tax losses (utilised)	<b>513</b>	(1,744)
Other adjustments	-	2
Current tax charge for the year	<b><u>-</u></b>	<b><u>42</u></b>



**Notes to the financial statements**  
**For the year ended 31 December 2014 (continued)**

**6. Profit for the financial year**

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit & loss account in these financial statements. The profit for the period is £Nil (2013: £Nil).

**7. Fixed assets**

	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Construction in progress	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2014	194,463	5,984	4,355	3,222	208,024
Additions	-	94	935	5,847	6,876
Transfer	-	-	5,847	(5,847)	-
At 31 December 2014	194,463	6,078	11,137	3,222	214,900
Depreciation					
At 1 January 2014	3,942	2,075	904	-	6,921
Charge for the year	1,892	1,180	1,243	-	4,315
At 31 December 2014	5,834	3,255	2,147	-	11,236
Net book value					
At 31 December 2014	188,629	2,823	8,990	3,222	203,664
At 31 December 2013	190,521	3,909	3,451	3,222	201,103

Included in total net book value of land and buildings is £35,907,000 (2013:£ 36,771,000) of long leasehold property. All tangible fixed assets of the group are held by the subsidiary undertaking, Capital Hill Hotels Group London Limited.

**Notes to the financial statements**  
**For the year ended 31 December 2014 (continued)**

**8. Intangible assets**

	<b>Negative Goodwill</b>	<b>Negative Goodwill</b>
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Cost</b>		
At 1 January	<b>4,945</b>	4,945
Additions	-	-
At 31 December	<b>4,945</b>	4,945
<b>Accumulated amortisation</b>		
At 1 January	<b>(515)</b>	(268)
Charge for the year	<b>(247)</b>	(247)
At 31 December	<b>(762)</b>	(515)
<b>Net book amount at 31 December</b>	<b>4,183</b>	4,430

**9. Investment in subsidiary company**

	<b>2014</b>	<b>2013</b>
	<b>Company</b>	<b>Company</b>
	<b>£000</b>	<b>£000</b>
At 31 December 2014	<b>99,159</b>	99,159

The Company owns 100% of the ordinary shares of Capital Hill Hotels Group Europe Limited, a company incorporated in England and Wales, whose principal activity is the operation of two 5 star hotels - St Martins Lane and Sanderson in London, operated by Morgans Group Hotels.

**10. Stock**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Consumables	<b>238</b>	129

**Notes to the financial statements**  
**For the year ended 31 December 2014 (continued)**

**11. Debtors: amounts due within one year**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	<b>952</b>	934
Amounts due from parent undertaking	<b>236</b>	-
Prepayments and accrued income	<b>988</b>	929
	<b><u>2,176</u></b>	<b><u>1,863</u></b>

**12. Creditors: amounts falling within one year**

	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank loans	<b>2,000</b>	-	500	-
Trade creditors	<b>765</b>	-	854	-
Amounts due to group undertakings and related parties	<b>494</b>	21,058	862	21,028
Taxation and social security	<b>966</b>	-	608	-
Accruals and deferred income	<b>1,720</b>	-	1,153	20
Other creditors	<b>17</b>	-	-	-
Corporation Tax	<b>42</b>	-	42	-
	<b><u>6,004</u></b>	<b><u>21,058</u></b>	<b><u>4,019</u></b>	<b><u>21,048</u></b>

The bank loan is secured by way of a first ranking legal charge over the properties including fixtures, fittings and property management agreements, and an assignment overall revenues due from operation of the properties.

**Notes to the financial statements**  
**For the year ended 31 December 2014 (continued)**

**13. Creditors: amount falling due after more than one year**

	<b>Group 2014 £000</b>	<b>Group 2013 £000</b>
Bank loans net of unamortised costs	<u>117,227</u>	<u>119,083</u>

Bank loans are repayable as follows:

	<b>2014 £000</b>	<b>2013 £000</b>
In one year or less, or on demand	2,000	500
In more than one year, but not more than two years	117,500	2,000
In more than two years, but not more than five years	<u>-</u>	<u>117,500</u>
	<u>119,500</u>	<u>120,000</u>

Bank loans are as follows:

	<b>2014 £000</b>	<b>2013 £000</b>
Sterling bank loans: Libor plus 2.5%	119,500	120,000
	<u>119,500</u>	<u>120,000</u>

Bank loans are repayable in instalments, are denominated in sterling and bear interest at a floating rate, fixed with an interest rate swap at the rate noted above.

After the year end, the lender waived the scheduled repayment of debt between December 2014 and September 2015 and a new financing facility of £122,000,000 was established in August 2015.

**Notes to the financial statements**  
**For the year ended 31 December 2014 (continued)**

**14. Deferred taxation**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Accelerated capital allowances	3,491	2,945
Other short term timing differences	(5)	(5)
Less: Losses	<u>(2,009)</u>	<u>(1,397)</u>
Deferred tax balance	<u><b>1,477</b></u>	<u><b>1,543</b></u>

Finance Act 2013 reduced the main rate of UK corporation tax from 21% from 1st April 2014 and 20% from 1st April 2015. These changes were enacted during the year.

The changes had not been substantively enacted at the balance sheet date and, therefore, are not reflected in these financial statements. The rate changes will also impact the amount of any future tax payments made by the Group.

The Group has losses carried forward of £10m (2013: £7.7m) which includes the losses offset against the deferred taxation liabilities set out above.

**15. Called up share capital**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
1 ordinary shares of £1 each	<u>1</u>	<u>1</u>
	<u><b>1</b></u>	<u><b>1</b></u>

**16. Reserves**

	<b>Profit and loss account</b>	
	<b>Group</b>	<b>Company</b>
	<b>2014</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
At 1 January 2014	6,397	(15)
Loss for the financial year	<u>(2,709)</u>	<u>(10)</u>
At 31 December 2014	<u><b>3,688</b></u>	<u><b>(25)</b></u>

**Notes to the financial statements**  
**For the year ended 31 December 2014 (continued)**

**17. Reconciliation of movements in shareholders' funds**

	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
(Loss)/Profit for the financial year	(2,709)	(10)	3,940	(10)
Dividend payment	-	-	-	-
Net movement in shareholders' funds	(2,709)	(10)	3,940	(10)
Opening shareholders' funds	84,523	78,111	80,583	78,121
Closing shareholders' funds	81,814	78,101	84,523	78,111

**18. Related party transactions**

Capital Hill Hotels Limited has a receivable of £21,028 (2013: £21,028) from Capital Hill Hotels Group London Limited as at 31st December 2014. An amount of £20,000 of this amount is due for repayment in 3 years.

There were no transactions between the parties during the current year.

**19. Reconciliation of operating profit to net cash inflow from operating activities**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Operating profit	2,856	7,740
Depreciation	4,315	3,150
Amortisation of negative good will	(247)	(247)
Change in stock	(109)	(7)
Change in debtors	(313)	176
Change in creditors	485	132
	6,988	10,944
Income tax paid	-	(46)
Net cash inflow from operating activities	6,988	10,898

**Notes to the financial statements**  
**For the year ended 31 December 2014 (continued)**

**20. Analysis of cash flows**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Return on Investment and servicing of finance</b>		
Interest on bank loan	(5,421)	(3,614)
Finance charges	-	-
	<u>(5,421)</u>	<u>(3,614)</u>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(6,877)	(3,797)
Acquisition of subsidiary	-	-
	<u>(6,877)</u>	<u>(3,797)</u>

**21. Analysis of changes in net debt**

	<b>At 1 January</b>	<b>Cash flows</b>	<b>Other non-cash movements</b>	<b>At 31 December</b>
	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	8,960	(5,809)	-	3,151
Bank debt due within one year	(500)	500	(2,000)	(2,000)
Bank debt due after more than one year	(119,500)	-	2,000	(117,500)
Deferred finance costs	416	-	(144)	272
Net debt	<u>(110,624)</u>	<u>(5,309)</u>	<u>(144)</u>	<u>(116,077)</u>