

# Financial Statements

## Inter Rested Limited

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For the year ended 31 December 2017



Company No. 03666295

## Company information

<b>Company registration number</b>	03666295
<b>Registered office</b>	Sudbury House 56 London Street Faringdon Oxfordshire England SN7 7AA
<b>Director</b>	R F Hancox
<b>Secretary</b>	D M Hancox
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants and Statutory Auditor The Colmore Building 20 Colmore Circus Birmingham B4 6AT
<b>Bankers</b>	Lloyds Bank 125 Colmore Row Birmingham B3 3SD

## Contents

<b>Group strategic report</b>	3 - 5
<b>Report of the director</b>	6 - 7
<b>Report of the independent auditor</b>	8 - 9
<b>Consolidated statement of comprehensive income</b>	10
<b>Consolidated balance sheet</b>	11
<b>Company balance sheet</b>	12
<b>Consolidated statement of changes in equity</b>	13
<b>Company statement of changes in equity</b>	14
<b>Consolidated cash flow statement</b>	15
<b>Notes to the financial statements</b>	16 - 41

## Group strategic report

### **Introduction**

The director presents the group strategic report for the year ended 31 December 2017.

### **Business review and future developments**

As reported previously the groups exit from the European heating sector was completed in February 2017 and left activities focused on its historic Australian and New Zealand operations together with its UK based hospitality business.

During the year various refurbishment projects have been completed the largest of which is the refurbishment of bedroom stock and principal function rooms at Hawkstone Park. Work is also continuing on the new restaurant, bar and lounge area and planning permission has been obtained for a replacement club house.

Progress continues with our efforts to secure organic growth and this coupled with an active acquisition process is enabling us to develop a more significant UK based hospitality offering. Considerable work has been undertaken to develop our internal systems and processes to support this continued growth.

In April 2018 we exchanged contracts for the acquisition of an 100 bedroom, hotel, spa and golf business which is expected to complete on 1 May 2018.

### **Principal risks and uncertainties facing the group**

It is expected that further investments will be made in the hospitality sector. The future timing and extent of these investments will depend on the availability of suitable opportunities. This sector is reliant upon the available disposable income and close attention is paid to ensure our products offer value in our chosen market.

### **Financial instruments**

The group's principal financial instruments comprise bank overdrafts, cash and short term investments, trade debtors and trade creditors. The group's operations expose it to a wide variety of financial risks including the effects of changes in foreign currency exchange rates, credit risk, liquidity risk and cash flow interest rate risk.

### **Foreign currency risk**

Following the disposal of the Enertech business the group does not engage in material foreign currency transactions nor does it have material foreign currency exposures.

### **Credit risk**

Group companies grant trade credit to customers in the normal course of business. Prior to granting credit, investigations are made to determine the creditworthiness of customers and to establish credit limits and payment terms. The customer base of the group is large and diverse and generally of high quality. The group is not exposed to any single customer whose failure would give rise to any cash flow difficulty for the group. Customer balances are closely monitored and a hierarchy of procedures are applied to pursue collection where it is delayed. The group has a prudent approach to the provision for bad and doubtful debts. Trade debtors are presented in the balance sheet net of bad and doubtful debt provisions.

## Group strategic report (continued)

### Principal risks and uncertainties facing the group (continued)

#### Liquidity risk

At the year end, cash balances totalled £40.4m (2016: £19.9m). These resources together with the business disposals give the group considerable flexibility to meet future funding needs.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and backed by government support.

#### Cash flow interest rate risk

The group has overdrafts and cash deposits on which it pays and receives interest at market related rates. The group does not hedge interest rate risk. Interest rates and borrowing positions are reviewed regularly and positions are adjusted as circumstances dictate. The financial position of the group ensures that there will be no material adverse effect on the performance of the group through interest rate and borrowing changes.

### Key performance indicators

#### Financial key performance indicators

The key performance indicators which the director targets are sales growth, operating profit as a percentage of sales and return on capital employed. The objective is to at least exceed inflation in sales growth and to improve the operating ratios year on year.

	2017	2016
Sales increase/(reduction)	(78.4%)	5.9%
Operating loss/profit as percentage of sales	(7.3%)	5.1%
Return on capital employed	(4.4%)	9.6%

#### Notes to KPIs

Sales movement is calculated by dividing the current year sales by the prior year sales and expressing the result as a percentage.

Operating profit percentage is calculated by expressing operating profit as a percentage of sales.

Return on capital employed is calculated by expressing operating profit as a percentage of equity shareholder's funds plus loans and overdrafts minus net cash and current asset investments.

#### Non-financial key performance indicators

The group, through its subsidiary companies, participates in trade associations and contributes and receives sales statistics in certain geographic product and market sectors. Such information is unaudited and, as it does not include all market participants, partially incomplete. Nevertheless the information available suggests that the group is maintaining or modestly improving its market share of key products for renewable systems.

### Employee matters

The group pursues policies designed to encourage employees to identify with the group and use their knowledge and skills actively towards its success. Managers are encouraged to make employees aware of the financial and economic factors affecting the group's performance.

Full consideration is given to employment applications from disabled persons who have the necessary aptitudes and abilities. Where an employee becomes disabled while employed, arrangements are made wherever practicable to maintain employment. The group seeks to develop the skills of disabled persons by providing appropriate training, taking into account their particular needs.

## Group strategic report (continued)

This report was approved by the Board and signed on its behalf by

A handwritten signature in black ink, appearing to read 'R F Hancox', is written over a faint, light blue circular stamp.

R F Hancox  
Director

Date: 19 APRIL 2018

## Report of the director

The director presents his report and the audited consolidated financial statements for the year ended 31 December 2017.

### Principal activity

Inter Rested Limited is an investment holding company. Following the sale of the majority of its heating business in February 2017, the group's principal activity is now hospitality services.

### Going concern

Sales in the group's hotel business continued to grow during the year. The group acquired Chateau Rhianfa, Anglesey, in March 2017.

In common with the majority of UK companies, the current economic conditions create uncertainty.

The director has carefully considered the appropriateness of preparing the financial statements on a going concern basis. Details of the director's review and conclusion are detailed under the heading 'Going Concern' in the principal accounting policies.

### Results

The profit for the year, after taxation, amounted to £9,831,000 (2016: £4,158,000).

### Dividends

An interim dividend of £nil was paid during the year (2016: £17,000). No final dividend is proposed.

### Director

The director who served during the year is set out on page 1.

### Matters covered in the Strategic Report

Principal risks and uncertainties facing the group, key performance indicators and employee matters have been included within the Group Strategic Report.

### Statement of director's responsibilities

The director is responsible for preparing the Group Strategic Report and Report of the director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 group and parent company will continue in business.

## Report of the director (continued)

### Statement of director's responsibilities (continued)

The director is 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 group and parent company and that enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The director confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Auditor

Under Section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest dated prescribed for filing the accounts with the registrar, whichever is earlier.

### Approval

The report of the director was approved by the Board and signed on its behalf by:



R F Hancox  
Director

Date: 19 APRIL 2018





## Report of the independent auditor to the members of Inter Rested Limited (continued)

### Opinion

We have audited the financial statements of Inter Rested Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated cash flow statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year/period 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Who we are reporting to

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.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



## Report of the independent auditor to the members of Inter Rested Limited (continued)

### **Other information**

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

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matter on which we are required to report under the Companies Act 2006**

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

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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 parent company 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.



## Report of the independent auditor to the members of Inter Rested Limited (continued)

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

As explained more fully in the director's responsibilities statement set out on page 6, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the group or the parent company or to cease operations, or has no realistic alternative but to do so.

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

*Kathryn Godfree*

**Kathryn Godfree**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
**Birmingham**

Date: 20 April 2018

## Consolidated statement of comprehensive income

		2017	2017	2017	2016	2016	2016
		Continuing	Discontinued	Total	Continuing	Discontinued	Total
	Note	operations	operations		operations	operations	
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Turnover</b>	4	13,400	6,638	20,038	9,288	83,774	93,062
<b>Cost of sales</b>		(4,830)	(4,207)	(9,037)	(3,418)	(52,614)	(56,032)
<b>Gross profit</b>		8,570	2,431	11,001	5,870	31,160	37,030
Distribution and selling costs		(1,047)	(1,008)	(2,055)	(1,084)	(11,820)	(12,904)
Administrative expenses		(8,557)	(2,017)	(10,574)	(5,723)	(17,906)	(23,629)
Other income		154	2	156	3,762	533	4,295
<b>Group operating (loss)/ profit</b>	5	(880)	(592)	(1,472)	2,825	1,967	4,792
Interest receivable and similar income	7	219	-	219	300	52	352
Interest payable and similar charges	8	(70)	(15)	(85)	(141)	(315)	(456)
Profit on sale of discontinued operations		11,322	-	11,322	-	-	-
<b>Profit/(loss) on ordinary activities before taxation</b>		10,591	(607)	9,984	2,984	1,704	4,688
Taxation on profit/(loss) on ordinary activities	9	(179)	26	(153)	161	(691)	(530)
<b>Profit/(loss) for the financial year</b>		10,412	(581)	9,831	3,145	1,013	4,158
<b>Other comprehensive income/(loss) for the year</b>							
Foreign exchange		(41)	614	573	1,320	1,702	3,022
Actuarial loss		-	-	-	-	(412)	(412)
Deferred tax on actuarial loss		-	-	-	-	66	66
Revaluation of hotel properties		2,890	-	2,890	7,267	-	7,267
Deferred tax on revaluation of hotel properties		(553)	-	(553)	(1,365)	-	(1,365)
<b>Total comprehensive income for the year</b>		12,708	33	12,741	10,367	2,369	12,736

The accompanying principal accounting policies and notes on pages 17 to 41 form part of these financial statements

## Consolidated balance sheet

	Note	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Intangible assets	10	788	1,037
Tangible assets	11	33,749	39,523
		<u>34,537</u>	<u>40,560</u>
<b>Current assets</b>			
Investments	12	-	432
Stocks	14	968	16,183
Debtors	15	2,316	19,924
Cash at bank and in hand	13	40,475	19,923
		<u>43,759</u>	<u>56,462</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(2,174)</u>	<u>(26,010)</u>
<b>Net current assets</b>		<u>41,585</u>	<u>30,452</u>
<b>Total assets less current liabilities</b>		<b>76,122</b>	<b>71,012</b>
<b>Creditors: amounts falling due after more than one year</b>	16	(1)	(453)
<b>Provision for liabilities and charges</b>	20	<u>(1,918)</u>	<u>(3,787)</u>
<b>Net assets excluding pension deficit</b>		<b>74,203</b>	<b>66,772</b>
Pension deficit	26	-	(5,310)
<b>Net assets</b>		<u><b>74,203</b></u>	<u><b>61,462</b></u>
<b>Capital and reserves</b>			
Called up share capital	24	80	80
Capital redemption reserve	25	20	20
Revaluation reserve	25	8,239	5,902
Profit and loss account	25	65,864	55,460
<b>Equity shareholder's funds</b>		<u><b>74,203</b></u>	<u><b>61,462</b></u>

The financial statements were approved by the Board on signed on its behalf by:



R F Hancox  
Director

Date: 19 APRIL 2018

**The accompanying principal accounting policies and notes on pages 17 to 41 form part of these financial statements**

## Company balance sheet

	Note	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Tangible Assets	11	28	-
Investments	12	43,406	57,467
		<hr/>	<hr/>
<b>Current assets</b>		43,434	57,467
Debtors	15	118	1,085
Cash at bank and in hand	13	34,603	8,424
		<hr/>	<hr/>
<b>Creditors: amounts falling due within one year</b>	16	34,721 (3,952)	9,509 (5,514)
		<hr/>	<hr/>
<b>Net current assets</b>		30,769	3,995
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		74,203	61,462
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	24	80	80
Capital redemption reserve	25	20	20
Revaluation reserve	25	15,702	36,891
Profit and loss account	25	58,401	24,471
		<hr/>	<hr/>
<b>Equity shareholder's funds</b>		74,203	61,462
		<hr/>	<hr/>

### Parent company profit for the year

The company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent company for the year was £33,930,000 (2016: £980,000)

The financial statements were approved by the Board and signed on its behalf by:



R F Hancox  
Director

Date: 19 APRIL 2018

Company registration number: 03666295

**The accompanying principal accounting policies and notes on pages 17 to 41 form part of these financial statements**

## Group statement of changes in equity

	Share capital £ '000	Capital redemption reserve £ '000	Revaluation reserve £'000	Profit and loss account £ '000	Total £ '000
At 1 January 2017	80	20	5,902	55,460	61,462
Profit for the year				9,831	9,831
<b>Other comprehensive income</b>					
Foreign exchange	-	-	-	573	573
Revaluation of hotel properties	-	-	2,890	-	2,890
Deferred tax on revaluation of hotel properties	-	-	(553)	-	(553)
<b>Total comprehensive income for the year</b>	-	-	2,337	10,404	12,741
<b>Contributions by and distributions to owners</b>					
Dividends paid	-	-	-	-	-
<b>At 31 December 2017</b>	<b>80</b>	<b>20</b>	<b>8,239</b>	<b>65,864</b>	<b>74,203</b>

  

	Share capital £ '000	Capital redemption reserve £ '000	Revaluation reserve £'000	Profit and loss account £ '000	Total £ '000
At 1 January 2016	80	20	-	48,643	48,743
Profit for the year	-	-	-	4,158	4,158
<b>Other comprehensive income</b>					
Foreign exchange	-	-	-	3,022	3,022
Actuarial gains	-	-	-	(412)	(412)
Deferred tax on actuarial gains	-	-	-	66	66
Revaluation of hotel properties	-	-	7,267	-	7,267
Deferred tax on revaluation of hotel properties	-	-	(1,365)	-	(1,365)
<b>Total comprehensive expense for the year</b>	-	5,902	5,902	2,676	8,578
<b>Contributions by and distributions to owners</b>					
Dividends paid	-	-	-	(17)	(17)
<b>At 31 December 2016</b>	<b>80</b>	<b>20</b>	<b>5,902</b>	<b>55,460</b>	<b>61,462</b>

The accompanying principal accounting policies and notes on pages 17 to 41 form part of these financial statements

## Company statement of changes in equity

	Share capital £ '000	Capital redemption reserve £ '000	Revaluation reserve £ '000	Profit and loss account £ '000	Total £ '000
At 1 January 2017	80	20	36,891	24,471	61,462
Profit for the year	-	-	-	33,930	33,930
<b>Other comprehensive income</b>					
Disposal of Investments	-	-	(20,484)	-	(20,484)
Revaluation of investments in subsidiary undertakings	-	-	(705)	-	(705)
<b>Total comprehensive income for the year</b>	-	-	(21,189)	33,930	12,741
<b>Contributions by and distributions to owners</b>					
Dividends paid	-	-	-	-	-
<b>At 31 December 2017</b>	<b>80</b>	<b>20</b>	<b>15,702</b>	<b>58,401</b>	<b>74,203</b>

  

	Share capital £ '000	Capital redemption reserve £ '000	Revaluation reserve £ '000	Profit and loss account £ '000	Total £ '000
At 1 January 2016	80	20	25,135	23,508	48,743
Profit for the year	-	-	-	980	980
<b>Other comprehensive income</b>					
Revaluation of investments in subsidiary undertakings	-	-	11,756	-	11,756
<b>Total comprehensive income/(expense) for the year</b>	-	-	11,756	980	12,736
<b>Contributions by and distributions to owners</b>					
Dividends paid	-	-	-	(17)	(17)
<b>At 31 December 2016</b>	<b>80</b>	<b>20</b>	<b>36,891</b>	<b>24,471</b>	<b>61,462</b>

The accompanying principal accounting policies and notes on pages 17 to 41 form part of these financial statements



## Consolidated cash flow statement

	Note	2017 £'000	2016 £'000
<b>Cash flows from operating activities</b>			
Profit for the financial year		9,831	4,158
<b>Adjustments for:</b>			
Amortisation of intangible assets		104	121
Depreciation of tangible assets		784	1,658
Profit on sale of tangible fixed assets		133	(3,766)
Profit on sale of investments		(11,322)	-
Interest paid		85	456
Interest received		(219)	(352)
Taxation		153	530
Decrease/(increase) in trade and other debtors		6,808	1,515
(Increase)/decrease in stocks		(1,137)	(386)
(Decrease)/increase in trade and other creditors		68	(253)
<b>Cash generated from operations</b>		<b>5,288</b>	<b>3,681</b>
Income taxes paid		(705)	(608)
<b>Net cash generated from operating activities</b>		<b>4,583</b>	<b>3,073</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of tangible assets		713	3,070
Purchases of tangible assets		(3,044)	(1,443)
Purchase of trade and assets	31	(2,054)	(6,868)
Disposal of Energetech business		26,197	-
Interest received		219	192
<b>Net cash from investing activities</b>		<b>22,031</b>	<b>(5,049)</b>
<b>Cash flows from financing activities</b>			
Receipts from long term loans		-	112
Repayment of bank loans		-	-
Repayment of finance lease obligations		-	(243)
Interest paid		(85)	(290)
Dividends paid		-	(37)
<b>Net cash used in financing activities</b>		<b>(85)</b>	<b>(458)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>26,529</b>	<b>(2,434)</b>
Foreign exchange translation adjustment		550	718
<b>Cash and cash equivalents at the beginning of the year</b>		<b>13,333</b>	<b>15,049</b>
<b>Cash and cash equivalents at end of year</b>	13	<b>40,412</b>	<b>13,333</b>

The accompanying principal accounting policies and notes on pages 17 to 41 form part of these financial statements

## Notes to the financial statements

### **1 Company information**

The parent company is a limited company incorporated in the United Kingdom. The registered office of the company is Sudbury House 56 London Street, Faringdon, Oxfordshire, England, SN7 7AA.

The principal activity of the group is investments in the hospitality sector and operating a number of hotels.

### **2 Accounting policies**

#### **2.1 Basis of preparation**

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 -- 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments and the revaluation of freehold property as specified in the accounting policies below.

The financial statements are presented in Sterling and rounded in thousands.

The group financial statements consolidate the financial statements of Inter Rested Limited and all its subsidiary undertakings drawn up to 31 December each year.

#### *Parent company disclosure exemptions*

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations of the group and the parent company would be identical;
- No statement of cash flows has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
- the requirement to present related party disclosures with parent company or fellow subsidiaries where ownership is all 100%; and
- No disclosures have been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

## Notes to the financial statements (continued)

### **2 Accounting policies (continued)**

#### **2.2 Basis of consolidation**

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Uniform accounting policies are applied throughout the year and all intercompany transactions and balances between group companies are eliminated in full on consolidation.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree plus costs directly attributable to the business combination.

#### **2.3 Discontinued operations**

The group recognises as discontinued operations components which have been disposed of which represented a separate major line of business of geographical area of operation, which were part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation.

#### **2.4 Going concern**

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group Strategic Report. The financial position of the group, its cash flows, liquidity position and borrowing facilities are also described. The group has considerable financial resources including cash and unutilised banking facilities which together with investments in subsidiaries across different geographic areas, gives the director confidence that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

On this basis, the director has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus the going concern basis of accounting continues to be adopted in preparing the annual financial statements.

#### **2.5 Investment in subsidiaries**

The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiary undertakings are revalued annually and are included in the company balance sheet at their fair value. Fair value is determined by reference to the underlying net assets, the earnings of the business and market indicators as to value. There are also selected long term intercompany loans

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

included within fixed asset investments. Due to the nature of the long term loans, the director views these as an investment in the group undertakings and any revaluations are therefore accounted for in line with the revaluation of investments.

Short term investments comprise secured cash deposits which are measured at fair value. Changes in fair value are recognised in profit or loss.

#### 2.6 Intangible assets

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) in respect of acquisitions is capitalised and is measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

- Goodwill 10 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

If a subsidiary, associate or business is subsequently sold or discontinued, any goodwill arising on acquisition that has not been amortised through the profit or loss account is taken into account in determining the profit or loss on sale or discontinuance.

#### 2.7 Tangible fixed assets and depreciation

All fixed assets are stated at cost less accumulated depreciation, with the exception of investment properties, artwork and antiques and classic cars, as explained below.

Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. Where there is evidence of impairment, fixed assets are written down to recoverable amount. Any such write down would be charged to operating profit. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold property	- over 50 years
Plant and machinery	- over 10 years
Fixtures, fittings and equipment	- over 6 years
Motor vehicles	- over 4 years (except for classic cars which are not depreciated)

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance sheet date.

Fair values are determined from market based evidence, the advice of professionally qualified valuers and recent transactions for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific assets. Revaluation gains and losses are recognised in the

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

Statement of comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss. Artwork and antiques are deemed to have an indefinite useful life and as such are not subject to depreciation. Consistent with statutory requirements, freehold listed buildings are maintained to a high standard and depreciation is not charged. Annual impairment reviews are performed.

The treatment of artwork, antiques, classic cars and listed freehold buildings is a departure from the requirements of the Companies Act 2006 concerning the depreciation of fixed assets. However, since artwork and antiques are considered to have an indefinite useful life and listed properties are maintained in good condition to prolong their useful lives, the accounting policies adopted ensure the financial statements give a true and fair view.

#### 2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### 2.9 Investment properties

Investment properties are included in the Balance sheet at their open market value and are not depreciated. This treatment is contrary to the Companies Act 2006 which states that fixed assets should be depreciated but is, in the opinion of the director, necessary in order to give a true and fair view of the financial position of the company.

#### 2.10 Stocks

Stocks and work in progress are valued at the lower of cost and estimated net realisable value, after making due allowance for obsolete and slow moving items. Cost is determined on a first-in first-out basis. The cost of work in progress and finished goods comprises materials, direct labour and attributable production overheads. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

#### 2.11 Debtors

Short term debtors are measured at transaction price, less any impairment.

#### 2.12 Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

#### 2.13 Turnover

Turnover is stated net of VAT and trade discounts. Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer, which in most cases is when the goods are despatched to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due.

## Notes to the financial statements (continued)

### **2 Accounting policies (continued)**

Turnover for the hotel businesses represents the value, net of value added tax and discounts, of goods and services provided to guests. Revenue is recognised on a daily basis when a right to consideration has been earned. Turnover attributable to events is recognised in the period in which the event takes place.

The discontinued operations comprise the majority of the group's heating business and the group's business in Belgium, Saint Roch Couvin SA

#### **2.14 Operating leases**

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

#### **2.15 Provisions for liabilities**

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises

#### **2.16 Dividends**

The annual final dividend is not provided for until it is approved by shareholders, whilst interim dividends are recognised in the period they are paid.

#### **2.17 Related party transactions**

Under the terms of Financial Reporting Standard 102 Section 33 'Related Party Disclosures', the company is exempt from the requirement to disclose transactions with entities that are wholly owned subsidiaries of Inter Rested Limited.

#### **2.18 Taxation**

Current tax is recognised as the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

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

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed. Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### 2.19 Foreign currencies

##### Functional currency and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are presented in Sterling.

##### Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise. However, in the consolidated financial statements exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in other comprehensive income and are not reclassified to profit or loss.

##### Translation of group companies

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated from their functional currency to Sterling (£) using the closing exchange rate. Income and expenses are translated using the average rate for the period,

## Notes to the financial statements (continued)

### **2 Accounting policies (continued)**

unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising on the translation of group companies are recognised in other comprehensive income and are not reclassified to profit or loss.

Goodwill arising on acquisitions is translated at the historic exchange rate on the date of the acquisition.

#### **2.20 Leasing and hire purchase commitments**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases where substantially all the risks and rewards of ownership remain with the lessor are charged to the statement of comprehensive income on a straight-line basis over the lease term.

#### **2.21 Product warranties**

Provision is made for estimated liability costs on products still under warranty, including claims already received, and is included in provisions for liabilities and charges.

#### **2.22 Pensions**

Following the sale of the majority of the group's heating business, the group now makes contribution to only defined contribution schemes.

##### **Defined contribution schemes**

The group also operates a number of defined contribution schemes. The assets of these schemes are held separately from those of the group in independently administered funds. The annual contributions payable are charged to the profit and loss account in the period which they fall due.

#### **2.23 Research and development expenditure**

Research and development expenditure is written off as incurred, except development expenditure incurred on an individual project which is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.



## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### 2.24 Financial instruments

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### 2.26 Derivative financial instruments

Derivative financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in profit or loss. Outstanding derivatives at reporting date are included under the appropriate format heading depending on the nature of the derivative.

### 3 Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following estimates had the most significant effect on amounts recognised in the financial statements.

#### Significant management estimates

##### *Useful economic lives of tangible assets*

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual value of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the tangible assets and note 2.6 for the useful economic lives for each class of assets.

##### *Investment properties*

Management estimation is required to determine the open market value of the investment properties and have assessed this valuation yearly for impairment. Management have used their knowledge of market prices to estimate the value of these properties.

##### *Revaluation of freehold property*

Management estimation is required to determine the fair value of freehold property. Fair values are determined from market based evidence, the advice of professionally qualified valuers and recent transactions for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific assets.

#### Significant management judgements

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## Notes to the financial statements (continued)

### 4 Analysis of turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax.

Origin of group turnover	2017 Continuing operations £'000	2017 Discontinued operations £'000	2017 Total £'000	2016 Continuing Operations £'000	2016 Discontinued Operations £'000	2016 Total £'000
United Kingdom	9,193	910	10,103	5,659	9,160	14,819
Europe	-	5,728	5,728	-	74,614	74,614
Other	4,207	-	4,207	3,629	-	3,629
	<u>13,400</u>	<u>6,638</u>	<u>20,038</u>	<u>9,288</u>	<u>83,774</u>	<u>93,062</u>
Destination of group turnover	2017 Continuing operations £'000	2017 Discontinued operations £'000	2017 Total £'000	2016 Continuing Operations £'000	2016 Discontinued Operations £'000	2016 Total £'000
United Kingdom	9,193	712	9,905	5,659	8,135	13,794
Europe	-	5,366	5,366	-	47,727	67,727
Other	4,207	560	4,767	3,629	7,912	11,541
	<u>13,400</u>	<u>6,638</u>	<u>20,038</u>	<u>9,288</u>	<u>83,774</u>	<u>93,062</u>

In the opinion of the director, disclosure of an analysis of profit and loss information by segment would be seriously prejudicial to the interests of the group.

### 5 Operating profit

Consolidated operating profit is stated after charging/(crediting):

	2017 £'000	2016 £'000
Auditors' remuneration		
- fees payable to the company's auditor in respect of audit services	34	57
- fees payable to subsidiary auditors in respect of audit services	22	167
- fees payable to the company's auditor in respect of non-audit services	-	-
Amortisation of goodwill	104	121
Depreciation of owned assets	778	1,395
Depreciation of assets held under finance leases and hire purchase contracts	10	263
Operating lease rentals:		
- Land and buildings	52	335
- Plant and machinery	34	305
Cost of research and development of new products	181	2,419
Reorganisation costs	57	59
Loss/(profit) on disposal of fixed assets	114	(4,074)

## Notes to the financial statements (continued)

### 6 Director and employees

Staff costs, including the director, during the year were as follows:

	2017 £'000	2016 £'000
Wages and salaries	6,388	24,312
Social security costs	773	5,254
Other pension costs (note 26)	136	792
	<u>7,297</u>	<u>30,358</u>

The average number of persons, including the director, employed by the group during the year was:

	2017 No.	2016 No.
Sales, administration and distribution	213	447
Manufacturing	29	263
	<u>242</u>	<u>710</u>

Remuneration in respect of the director was as follows:

	2017 £'000	2016 £'000
Emoluments (including benefits in kind)	<u>13</u>	<u>9</u>

	2017 £'000	2016 £'000
Company contributions paid to money purchase pension scheme	<u>-</u>	<u>-</u>

	2017 No.	2016 No.
Members of the money purchase pension scheme	<u>-</u>	<u>1</u>

### 7 Interest receivable and similar income

	2017 £'000	2016 £'000
Bank deposits	219	192
<b>Other financial items:</b>		
Expected return on pension schemes assets (note 26)	-	39
Exchange gains on monetary items	-	121
	<u>219</u>	<u>352</u>

## Notes to the financial statements (continued)

### 8 Interest payable and similar charges

	2017 £'000	2016 £'000
Bank loans and overdrafts	85	267
Finance charges payable under finance leases and hire purchase contracts	-	23
<b>Other financial charges:</b>		
Interest on pension schemes liabilities (note 26)	-	166
	<u>85</u>	<u>456</u>

### 9 Taxation on profit on ordinary activities

(a) The taxation charge for the year is analysed below:

	2017 £'000	2016 £'000
<b>Taxation</b>		
Corporation taxation – UK	-	26
Corporation taxation - foreign	59	648
Adjustments in respect of prior years		
- UK	(5)	(23)
- foreign	27	25
<b>Current taxation</b>	<u>81</u>	<u>676</u>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	72	(146)
	<u>153</u>	<u>530</u>

The tax assessed for the period is higher than (2016: lower than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

#### Total taxation charge reconciliation

	2017 £	2016 £
Profit on ordinary activities before taxation	<u>10,010</u>	<u>4,688</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	<u>(1,927)</u>	<u>(938)</u>
<b>Explanation of difference:</b>		
Nondeductible and non-taxable items	1,967	878
Unrelieved current losses	(68)	(595)
Adjustments in respect of prior years	(116)	61
Differences between UK and foreign tax rates	(10)	64
<b>Total tax charge</b>	<u>(153)</u>	<u>(530)</u>

## Notes to the financial statements (continued)

### 10 Intangible assets

	Goodwill on consolidation £'000	Purchased goodwill £'000	Total £'000
<b>Cost</b>			
At 1 January 2017	383	1,141	1,524
Additions	-	10	10
Disposals	(383)	-	(383)
At 31 December 2017	-	1,151	1,151
<b>Amortisation</b>			
At 1 January 2017	228	259	487
Charge for the year	-	104	104
Disposals	(228)	-	(228)
At 31 December 2017	-	363	363
<b>Net book value</b>			
At 31 December 2017	-	788	788
At 31 December 2016	155	882	1,037

Amortisation of intangible fixed assets is included in administrative expenses.

## Notes to the financial statements (continued)

### 11 Tangible fixed assets

#### Group

	Investment property £'000	Freehold property £'000	Motor vehicles £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Artwork and antiques £'000	Total £'000
<b>Cost or valuation</b>							
1 January 2017	2,619	38,528	1,686	24,890	3,054	677	71,454
Additions	-	2,126	53	579	246	57	3,061
On acquisition (note 31)	-	1,404	-	640	-	-	2,044
Disposals	-	(18,356)	(1,404)	(21,523)	(2,118)	-	(43,401)
Transfer to Investment Property	1,764	(1,764)	-	-	-	-	-
Exchange difference	-	116	7	180	11	-	314
Revaluation	-	2,874	-	-	-	-	2,874
<b>31 December 2017</b>	<b>4,383</b>	<b>24,928</b>	<b>342</b>	<b>4,766</b>	<b>1,193</b>	<b>734</b>	<b>36,346</b>
<b>Depreciation and impairment</b>							
1 January 2017	-	7,309	914	21,589	2,119	-	31,931
Charge for the year	-	33	17	615	113	-	778
Disposals	-	(7,234)	(830)	(20,392)	(1,887)	-	(30,343)
Exchange difference	-	49	4	168	10	-	231
Transfer to Investment Property	59	(59)	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
<b>31 December 2017</b>	<b>59</b>	<b>98</b>	<b>105</b>	<b>1,980</b>	<b>355</b>	<b>-</b>	<b>2,597</b>
<b>Net book value</b>							
<b>31 December 2017</b>	<b>4,324</b>	<b>24,830</b>	<b>237</b>	<b>2,786</b>	<b>838</b>	<b>734</b>	<b>33,749</b>
31 December 2016	2,619	31,219	772	3,301	934	677	39,523

The director has assessed the fair value of the freehold property at 31 December 2017 which is based on the fair value of the property, determined from market based evidence, the advice of professionally qualified valuers and recent transactions for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific assets. On a historical cost basis the freehold properties would have been included at a cost of £14,783,000 and net book value of £14,689,000.

Investment properties wholly comprise assets held for operating leases to third parties.

The director has assessed the open market value of the investment properties at 31 December 2017 and does not consider the book value of those investment properties to materially differ from their open market value, therefore a third party valuation was not performed during 2017. On a historical cost basis investment properties would have been included at a cost and net book amount of £4,324,000 (2016: £2,619,000).

Included in plant and machinery above are assets with a net book value of £nil (2016: £531,000) held under finance lease and hire purchase agreements. Freehold land and buildings includes land, which is not depreciated, which has a book value of £2.8m (2016: £2.8m).

## Notes to the financial statements (continued)

### 11 Tangible fixed assets (continued)

#### Company

	Motor Vehicles £'000	Total £'000
<b>Cost or valuation</b>		
1 January 2017	-	-
Additions	33	33
<b>31 December 2017</b>	<b>33</b>	<b>33</b>
<b>Depreciation and impairment</b>		
1 January 2017	-	-
Charge for the year	5	5
<b>31 December 2017</b>	<b>5</b>	<b>5</b>
<b>Net book value</b>		
<b>31 December 2017</b>	<b>28</b>	<b>28</b>
31 December 2016	-	-



## Notes to the financial statements (continued)

### 12 Investments

Company	Shares in Group undertakings £'000	Loans to Group undertakings £'000	Total £'000
<b>At valuation</b>			
At 1 January 2017	57,467	-	57,467
Sale of Enertech business	(20,484)	-	(20,484)
Loans transferred to investments	7,128	(7,128)	-
Additions/loans advanced	-	7,128	7,128
Revaluation	(705)	-	(705)
<b>At 31 December 2017</b>	<b>43,406</b>	<b>-</b>	<b>43,406</b>

Due to the nature of the long term loans, the director views these as an investment in the group undertakings and any revaluations are therefore accounted for in line with the revaluation of investments.

The company owns the entire issued share capital of the following companies (including the following principal subsidiaries of those companies):

Name and location of company	Activities
Hurll Nu-way Pty Limited (Australia*)	Distribution of industrial burners, pumps, meters and blowers
Inter Mediate Group Limited (UK)	Intermediate holding company and property investment
Inter Mediate Two Limited (UK)	Intermediate holding company
Interesting Hotels Limited (UK)	Intermediate holding company
Broomco (4204) Limited (UK)	General Partner in Gaelic Investments Limited Partnership, property investment partnership
Llangoed Limited (UK*)	Hotel and hospitality services
Sudbury House Limited (UK*)	Hotel and hospitality services
Swan @ Hay Limited (UK*)	Hotel and hospitality services
Hawkstone Park Limited (UK*)	Hotel and hospitality services
Interesting Poets House Limited (UK*)	Hotel and hospitality services
Rhianfa Limited (UK*)	Hotel and hospitality services

\*Held by subsidiary undertaking

Llangoed Limited (Company no: 08101288), Sudbury House Limited (Company no: 08436236), Swan@Hay Limited (Company no: 09586509), Hawkstone Park Limited (Company no: 04359014), Interesting Poets House Limited (Company no: 04069579), and Rhianfa Limited (Company no: 02583701) are all exempt from the requirements of an audit under section 479A of the Companies Act 2006 as Inter Rested Limited has provided these companies with a parental guarantee.

By virtue of its ownership of Broomco (4204) Limited the Company has a controlling interest in Gaelic Investments Limited Partnership. Therefore, the results of this entity have been included in the consolidated financial statements. Gaelic Investment Limited Partnership is a property investment partnership.

In February 2017 the group received regulatory approval to complete the sale of its principal subsidiaries, Enertech AB, CTC Giersch AG, Enertech Limited, CTC Ferrofil A/S, Enertech spri, Osby Parca AB and the trade and operating assets and liabilities of Enertech GmbH together with its business premises which were sold by Giersch GmbH. Total consideration including the repayment of intercompany indebtedness was some £33.6m. In March 2017 the group's subsidiary Saint Roch Couvin SA was placed in judicial administration.

## Notes to the financial statements (continued)

### 12 Investments (continued)

#### Current asset investments

	2017 £'000	2016 £'000
<b>Group</b>		
Short term investments	-	432

Current asset investments have been included at cost as the director considered there was no material difference between cost and fair value at 31 December 2016

### 13 Cash and cash equivalents

	2017 £'000	2016 £'000
<b>Group</b>		
Cash at bank and in hand	40,475	19,923
Bank overdrafts (note 16)	(63)	(6,590)
	<u>40,412</u>	<u>13,333</u>
<b>Company</b>		
Cash at bank and in hand	<u>34,603</u>	<u>8,424</u>

### 14 Stocks and work in progress

	2017 £'000	2016 £'000
<b>Group</b>		
Raw materials and consumables	202	8,711
Work in progress	140	1,190
Finished goods and goods for resale	626	6,282
	<u>968</u>	<u>16,183</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

The amount of stock recognised as an expense through cost of sales during the period was £4,173,000 (2016: £52,253,000).

An impairment loss of £nil (2016: loss of £327,000) was recognised in cost of sales against stock during the year due to slow moving and obsolete stock.

## Notes to the financial statements (continued)

### 15 Debtors

#### a) Debtors due within one year

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Trade debtors	612	-	14,221	-
Amounts owed by group undertakings	-	7	-	1,025
Other debtors	616	64	4,086	-
Prepayments and accrued income	292	3	834	21
Deferred taxation (note 16(b))	136	-	762	-
Other taxes	-	-	18	-
Corporation tax recoverable	660	44	-	39
Derivatives	-	-	3	-
	<u>2,316</u>	<u>118</u>	<u>19,924</u>	<u>1,085</u>

Amounts owed by group undertakings are non-interest bearing and have no fixed repayment date.

An impairment loss of £18,000 (2016: £322,000) was recognised against trade debtors.

#### b) Deferred tax recognised comprises:

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Capital allowances	48	-	131	-
Losses	40	-	34	-
Other timing differences	48	-	-	-
Arising on defined benefit pension scheme	-	-	478	-
Arising on property revaluation	(1,918)	-	(1,365)	-
	<u>(1,782)</u>	<u>-</u>	<u>(722)</u>	<u>-</u>

The movement in the deferred tax is analysed as follows:

	Deferred tax asset £'000	Deferred tax liability (note 21) £'000	Deferred tax arising on pension scheme £'000	Deferred tax arising on property revaluation (note 21) £'000	Total £'000
At 1 January 2017	284	(119)	478	(1,365)	(722)
Statement of comprehensive income movement during the year	(148)	119	(482)	-	(511)
Amount taken to other comprehensive income	-	-	-	(553)	(553)
Exchange difference	-	-	4	-	4
At 31 December 2017	<u>136</u>	<u>-</u>	<u>-</u>	<u>(1,918)</u>	<u>(1,782)</u>

## Notes to the financial statements (continued)

### 15 Debtors (continued)

The split in the deferred tax is analysed as follows:

	Group 2017 £'000	Group 2016 £'000
Deferred tax asset (note 16)	136	762
Deferred tax liability (note 20)	(1,918)	(1,484)
	<u>(1,782)</u>	<u>(722)</u>

### 16 Creditors

Amounts falling due within one year:

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Bank overdrafts (secured)	63	-	6,590	-
Bank loans (note 17)	-	-	1,665	-
Other loans (note 17)	-	-	93	-
Obligations under finance leases and hire purchase contracts (note 18)	-	-	175	-
Borrowings	<u>63</u>	<u>-</u>	<u>8,523</u>	<u>-</u>
Amounts owed to group undertakings	-	3,724	-	5,466
Trade creditors	639	-	8,386	-
Corporation tax payable	-	178	225	-
Other taxes and social security costs	466	2	2,369	4
Other creditors	560	23	1,516	20
Accruals and deferred income	446	25	4,991	24
	<u>2,174</u>	<u>3,952</u>	<u>26,010</u>	<u>5,514</u>

The bank overdrafts are secured by charges over the assets of Inter Rested Limited and its United Kingdom subsidiary companies. Further details are included in note 22.

Amounts falling due after more than one year:

Group	2017 £'000	2016 £'000
Other loans	-	-
Obligations under finance leases and hire purchase contracts (note 19)	-	452
Other creditors	<u>1</u>	<u>1</u>
	<u>1</u>	<u>453</u>

## Notes to the financial statements (continued)

### 17 Loans

Group	2017 £'000	2016 £'000
<b>Amounts falling due:</b>		
In one year or less or on demand	-	1,758
In more than one year but less than two years	-	-
In more than two years but not more than five years	-	-
	<u>-</u>	<u>1,758</u>

### 18 Obligations under finance leases and hire purchase contracts

The group's future minimum finance lease payments are as follows:

	2017 £'000	2016 £'000
<b>Finance leases</b>		
<b>Group</b>		
Amounts payable:		
Within one year	-	179
Between one and five years	-	499
	<u>-</u>	<u>678</u>
Less: finance charges allocated to future periods	-	(51)
	<u>-</u>	<u>627</u>
<b>Comprising:</b>		
Current obligations	-	175
Non-current obligations	-	452
	<u>-</u>	<u>627</u>

Finance leases are secured on the assets which they finance.

### 19 Obligations under operating leases

#### Operating leases

The group's future minimum operating lease payments are as follows:

	Land and buildings		Other	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Group</b>				
Operating leases which expire:				
Within one year	-	285	-	310
Between two and five years	17	421	-	214
Over five years	-	-	39	-
	<u>17</u>	<u>706</u>	<u>39</u>	<u>524</u>

## Notes to the financial statements (continued)

### 20 Provisions for liabilities and charges

Group	Deferred tax- ation liability £'000	Warranty provision £'000	Total £'000
At 1 January 2017	1,484	2,303	3,787
Charged/(released) to statement of comprehensive income	-	-	-
Amount taken to other comprehensive income	(119)	(2,328)	(2,447)
Revaluation of fixed assets	553	-	553
Exchange difference	-	25	25
At 31 December 2017	<u>1,918</u>	<u>-</u>	<u>1,918</u>

See note 15(b) for further details of the deferred tax assets and liabilities within the group.

The warranty provision is anticipated to be utilised over the various warranty terms offered ranging between one and ten years.

### 21 Financial assets and liabilities

#### Financial assets

	2017 £'000	2016 £'000
<b>Financial assets measured at fair value through profit or loss</b>		
Forward exchange contracts	-	3
<b>Total financial assets measured at fair value through profit or loss</b>	<u>-</u>	<u>3</u>
<b>Financial assets measured at amortised cost</b>		
Short term investments	-	432
Assets held for resale	-	-
Cash at bank and in hand	40,475	19,923
Trade debtors	612	14,221
Other debtors	616	4,086
<b>Total financial assets measured at amortised cost</b>	<u>41,703</u>	<u>38,662</u>

## Notes to the financial statements (continued)

### 22 Financial assets and liabilities

#### Financial liabilities

	2017 £'000	2016 £'000
<b>Financial liabilities measured at amortised cost</b>		
Bank overdraft	63	6,590
Bank and other loans	-	1,758
Obligation under finance leases	1	627
Trade creditors	639	8,386
Other creditors	560	1,516
<b>Total financial liabilities measured at amortised cost</b>	<b>1,263</b>	<b>18,877</b>

At 31 December 2017, the group had no forward exchange contracts in place. At 31 December 2016, the group has forward exchange contracts in place to purchase at a fixed rate at €33,000, \$306,000, £26,000 and A\$510,000 and to sell €16,000, £3,000, and A\$7,000 at a fixed rate. The GBP forward exchange contracts were held by the overseas subsidiaries of the group. All forward exchange contracts matured during 2017.

There were no forward currency swaps in place at the year-end to sell at a fixed rate.

### 23 Financial risk management

The group has exposures to the following main areas of risk – foreign currency risk, credit risk, liquidity risk, and cash flow interest rate risk.

#### Foreign currency risk

Following the disposal of the Enertech business the group does not engage in material foreign currency transactions nor does it have material foreign currency exposures.

## Notes to the financial statements (continued)

### 23 Financial risk management (continued)

#### Credit risk

Group companies grant trade credit to customers in the normal course of business. Prior to granting credit, investigations are made to determine the creditworthiness of customers and to establish credit limits and payment terms. The customer base of the group is large and diverse and generally of high quality. The group is not exposed to any single customer whose failure would give rise to any cash flow difficulty for the group. Customer balances are closely monitored and a hierarchy of procedures are applied to pursue collection where it is delayed. The group has a prudent approach to the provision for bad and doubtful debts. Trade debtors are presented in the balance sheet net of bad and doubtful debt provisions.

#### Liquidity risk

At the year end, cash balances totalled £40.4m (2016: £19.9m). These resources together with the proceeds of business disposals post year end give the group has considerable flexibility to meet future funding needs.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

#### Cash flow interest rate risk

The group has overdrafts and cash deposits on which it pays and receives interest at market related rates. The group does not hedge interest rate risk. Interest rates and borrowing positions are reviewed regularly and positions are adjusted as circumstances dictate. The financial position of the group ensures that there will be no material adverse effect on the performance of the group through interest rate and borrowing changes.

### 24 Share capital

	2017 £	2016 £
<b>Authorised</b>		
100,000 ordinary shares of £1 each	100,000	100,000
<b>Allotted, issued and fully paid</b>		
80,000 ordinary shares of £1 each	80,000	80,000

### 25 Reserves

Called-up share capital – represents the nominal value of shares that have been issued.

Capital redemption reserve – represents amounts historically transferred upon the redemption or purchase of the company's own shares.

Profit and loss account – includes all current and prior period retained profits and losses. It also includes translation differences arising from the translation of financial statements of the Group's foreign entities into Sterling.

Revaluation reserve - includes all revaluation gains and losses on the freehold property and on the revaluation of subsidiaries for the group. For the company only the reserve includes all revaluation gains and losses on the freehold property.



## Notes to the financial statements (continued)

### 26 Pensions

Following the sales of the majority of the group's heating business, the group now operates only defined contribution pension schemes. Amounts charged to the statement of comprehensive income in respect of these schemes during the period were:

	2017 £'000	2017 £'000
<b>Group</b>		
Defined benefit pension schemes		
Current service cost	20	209
Net interest cost	-	127
Total charge for defined benefit pension schemes	-	336
Defined contribution pension schemes	116	456
	<u>136</u>	<u>792</u>

Amounts recognised in other comprehensive income in respect of these schemes during the period were:

	2017 £'000	2016 £'000
<b>Group</b>		
Defined benefit pension schemes		
Actuarial (losses)/gains	-	(412)
Total amounts recognised in other comprehensive income	-	<u>(412)</u>

#### Defined contribution pension schemes

The group operates a defined contribution pension schemes for the benefit of certain employees and directors. The assets of these schemes are administered by trustees in funds independent from those of the group. The amount paid to the schemes during the year was £116,000 (2016: £456,000). The outstanding contributions at the balance sheet date were £14,000 (2016: £42,000).

### 27 Contingent liabilities

#### Group

At 31 December 2017, the group had entered into performance bonds and guarantees totalling £Nil (2016: £65,000).

#### Company

The company is party, together with its UK subsidiary companies, to a cross guarantee in favour of Lloyds TSB Bank plc. At 31 December 2017, the contingent liability under this arrangement was £63,000 (2016: £5,656,000). In 2016, the company guaranteed payments under that company's defined benefit pension plans. At 31 December 2017, the total value of the pension liabilities of that subsidiary amounted to £nil (2016: £4,233,000).

### 28 Capital commitments

There were no capital commitments at 31 December 2017 and 31 December 2016.

## Notes to the financial statements (continued)

### **29 Related party transactions**

Although the entity is exempt from the requirement to disclose transactions with wholly owned subsidiaries under the terms of Financial Reporting Standard 102 Section 33 'Related Party Disclosures', the company must disclose key management compensation. The total key management compensation paid during the year was £385,000 (2016: £2,039,000).

### **30 Ultimate controlling party**

The Company is controlled by Roger Hancox, the director of the Company, by virtue of owning 100% of the ordinary share capital.

### **31 Acquisitions and disposals**

In February 2017 the group received regulatory approval to complete the sale of its principal subsidiaries, Enertech AB, CTC Giersch AG, Enertech Limited, CTC Ferrofil A/S, Enertech spol, Osby Parca AB and the trade and operating assets and liabilities of Enertech GmbH together with its business premises which were sold by Giersch GmbH. The profit on disposal is shown on the consolidated statement of comprehensive income. In March 2017 the group's subsidiary Saint Roch Couvin SA was placed in judicial administration.

In March 2017, the group acquired the trade and assets of Chateau Rhianfa. The book and fair values of the assets acquired totalled £2.6m. The assets were acquired by Rhianfa Limited. The results of this subsidiary company are included in the consolidated accounts.

### **32 Post balance sheet events**

In April 2018, the group agreed to acquire the trade and assets of the Hellidon Lakes hotel, golf course and spa.