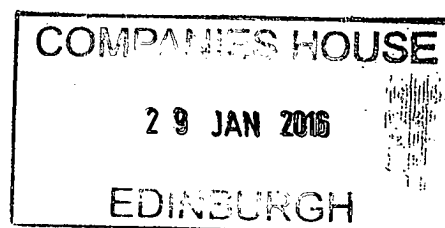


Apex Hotels Limited

Annual report and consolidated financial statements

Registered number SC073489

30 April 2015



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Company information

Directors	N Springford D Springford IK Springford DB Springford JC Harbisher A Vickers JM Wilkie AC Wilson Y Al-Wagga
Secretary	N Springford
Registered office	Apex Hotels House 32 Hailes Avenue Edinburgh EH13 0LZ
Auditors	KPMG LLP 191 West George Street Glasgow G2 2LJ
Bankers	The Royal Bank of Scotland plc 24-25 St Andrew Square Edinburgh EH2 1AF Bank of Scotland Plc 1 st Floor, New Ueberior House Earl Grey Street Edinburgh EH3 9BN
Solicitors	Anderson Strathern LLP 1 Rutland Ct Edinburgh EH3 8EY

Strategic Report

The directors present their strategic report and financial statements for the year ended 30 April 2015.

Principal activities

The principal activity of the group consisted of the operation and management of hotels.

Business review

Rooms performance was the key driver of a 2% increase in turnover year on year. The Group continues to enjoy strong demand for rooms at all locations, driving an increase in profit before tax and exceptional items of £1.1 million, an increase of 11% over last year.

Exceptional items include a £4.8 million accrual for a Director's long term incentive payment, calculated with reference to the growth in Group net assets since 2008. These incentives are payable by October 2018.

Property – current portfolio

All hotels were revalued in accordance with the Group's policy of property revaluation, with a resultant increase in the revaluation reserve of £18.9 million. As in prior years, the value of the Groups' leasehold properties in Edinburgh's Grassmarket area are not reflected on the Balance Sheet, these assets having been valued separately at £3.7 million.

In addition, the Mark Lane property (a development site adjoining the Apex City of London hotel) is currently recognised on balance sheet at a cost of £6.6 million. Conversion of the site commenced in September 2014, with an additional 30 rooms available in November 2015.

Property – developments

The Group acquired a new site for development in Bath via a new subsidiary company, Apex Hotels (Developments) Limited set up for this purpose. The site, previously a vacant office building, has planning consent for development of a 177 bedroom hotel with extensive conference facilities. The Apex London Wall hotel has been transferred from Apex Hotels Limited to Apex Hotels (Developments) Limited.

The development costs for Bath are estimated to be in the region of £35 million, with an opening date towards the middle of 2017.

In December 2014, the Group purchased the entire share capital of Rossmark Hotels (Glasgow) Limited, thereby securing ownership of an existing hotel in Glasgow. The hotel has undergone a period of refurbishment and reopened as the Apex City of Glasgow in September 2015.

Strategic report (continued)

Business review (continued)

Financing

During the year, the RBS facility agreement was amended to add a further £5 million to the existing £10 million revolving credit facility. In addition, the commencement date of the quarterly loan repayments has been deferred to July 2016 with a final balloon repayment in January 2020.

The additional £5 million of financing provided through the revolving credit facility has been utilised for investment in the existing portfolio and the refurbishment of the Glasgow site acquired in December 2014.

Further facilities were secured with a term loan from Bank of Scotland of £13 million, which were applied to secure the Bath site. Post year end, a £29 million revolving credit facility has been agreed with Bank of Scotland to repay the term loan and to finance the development of the site.

A further sale and leaseback arrangement was secured on the Apex City of London Hotel, generating cash of £5 million which was utilised for the development of an extension to add further 30 bedrooms to the hotel. Under this agreement, the Group retains uninterrupted rights to operate the hotel for circa 150 years. Rent payable is subject to annual inflationary increases linked to RPI.

The principal risks and uncertainties affecting the business include the following:

- Trade supplies availability and prices: the group monitors supplier sources closely and ensures that price and quality are delivered by key suppliers. In particular, the monitoring of utilities, hospitality food and catering supplies and maintenance service contracts is a key focus.
- Debtors: the group maintains strong relationships with each of its key customers and has established credit control parameters. Appropriate credit terms are agreed with all customers and these are closely managed. The group has an excellent record of debt management and a very low incidence of bad debt.
- Major disruption/disaster: business continuity planning is reviewed and tested to ensure that risks are minimised in all properties, in particular security of IT networks and ensuring the safety of employees and guests at all locations.
- The effect of legislation or other regulatory activities: the Group monitors forthcoming and current legislation on a regular basis, including new regulations and developments in areas such as health and safety, food provisioning and waste management.
- Economic and competitive risk: subdued demand for hotel rooms and events as a result of a downturn in the economy or increased supply into the market place. The Group operates in highly competitive markets. New hotel developments, product innovations or technical advances by competitors could adversely affect Group performance. The diversity of operations geographically has reduced the possible effect of action by any single competitor or in any one market place. The Group strives to improve its product at all times to sustain competitive advantage and also works continually to ensure that its cost base is competitive.

Key areas of strategic development and performance of the business include:

- Sales and marketing: the targeting of higher rate business through all sales channels; sourcing of new markets and wider recognition of the Apex brand.
- Competitive advantage: the Group focuses on areas where it has a competitive advantage in the four star market which places it well in terms of superior long term income/cash flow growth potential. Successful new openings have continued to secure this position.
- Expansion: Following the successful opening of Apex Temple Court in March 2012, the Group is focussed on the development of new sites in Bath and Glasgow, as well as extensions to existing London properties.

Strategic report *(continued)*

Business review *(continued)*

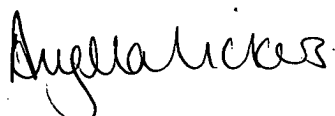
Key financial performance indicators include the monitoring of overall profitability, room rate and occupancy, and are benchmarked regularly against hotels in the immediate vicinity.

Key non-financial indicators include the monitoring of guest comment cards, guest online surveys and third party web feedback sites such as TripAdvisor.

Key performance indicators

	2015	2014
Rooms sold	360,334	363,736
Average room rate	£126.17	£120.24
Occupancy	86.5%	87.2%
RevPar (Revenue per occupied room)	£109.17	£104.82

By order of the board



Angela Vickers
Director

Apex Hotels House
32 Hailes Avenue
Edinburgh
EH13 0LZ

29 January 2016

Directors' report

The directors present their annual report and financial statements for the year ended 30 April 2015.

Dividends

The directors have paid interim dividends of £100,000 (2014: £1,487,500) and they do not recommend the payment of a final dividend.

Fixed assets

All movements in the fixed assets of the group during the year are shown in the notes to the accounts.

Directors

The directors who held office during the year were as follows:

N Springford
D Springford
IK Springford
DB Springford
JC Harbisher
A Vickers
JM Wilkie
AC Wilson
Y Al-Wagga (appointed 5 December 2014)

Employees

It is group policy to treat all its employees fairly and specifically to prohibit discrimination on the grounds of race, religion, sex, age, nationality or ethnic origin. Disabled people are given equal consideration for all job vacancies for which they are suitable. If employees become disabled the company continues employment wherever possible and arranges retraining.

Political and charitable contributions

The group made no political contributions during the year. Donations to UK charities of £25,427 were made during the year (2014: £35,752).

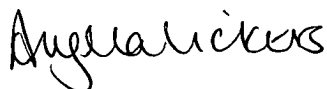
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the group's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the group's auditor is aware of that information.

Auditor

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

By order of the board



Angela Vickers
Director

Apex Hotels House
32 Hailes Avenue
Edinburgh
EH13 0LZ

29 January 2016

Statement of directors' responsibilities in respect of the Strategic Report, the Annual Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

191 West George Street
Glasgow
G2 2LJ
United Kingdom

Independent auditor's report to the members of Apex Hotels Limited

We have audited the financial statements of Apex Hotels Limited for the year ended 30 April 2015 set out on pages 8 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 6, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 April 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK 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.

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 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.

B Marks (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

29 January 2016

Group profit and loss account
for the year ended 30 April 2015

	Note	2015 Recurring £000	2015 Exceptional £000	2015 Total £000	2014 Recurring £000	2014 Exceptional £000	2014 Total £000
Turnover		57,250	-	57,250	56,064	-	56,064
Cost of sales		(2,570)	-	(2,570)	(2,758)	-	(2,758)
Gross profit		54,680	-	54,680	53,306	-	53,306
Administrative expenses	4	(40,220)	(4,775)	(44,995)	(39,416)	-	(39,416)
Other operating income		227	-	227	270	-	270
Operating profit	3	14,687	(4,775)	9,912	14,160	-	14,160
Interest payable and similar charges	6	(4,053)	(1,202)	(5,255)	(4,589)	(2,727)	(7,316)
Profit on ordinary activities before taxation		10,634	(5,977)	4,657	9,571	(2,727)	6,844
Tax charge on profit on ordinary activities	7			(1,554)			(850)
Profit on ordinary activities after taxation				3,103			5,994
Equity minority interests				(73)			-
Profit on ordinary activities after taxation				3,030			5,994

Balance sheet
as at 30 April 2015

	Note	Group		Company	
		2015 £000	2014 £000	2015 £000	2014 £000
Fixed assets					
Investment property	9	1,065	1,065	1,065	1,065
Tangible assets	10	340,092	297,460	173,886	209,070
Investments	11	-	-	-	-
		<u>341,157</u>	<u>298,525</u>	<u>174,951</u>	<u>210,135</u>
Current assets					
Stocks	12	337	320	271	277
Debtors	13	4,386	3,526	87,330	50,219
Cash at bank and in hand		2,105	19	1,520	17
		<u>6,828</u>	<u>3,865</u>	<u>89,121</u>	<u>50,513</u>
Creditors: amounts falling due within one year	14	<u>(35,649)</u>	<u>(17,129)</u>	<u>(22,051)</u>	<u>(16,649)</u>
Net current (liabilities)/assets		<u>(28,821)</u>	<u>(13,264)</u>	<u>67,070</u>	<u>33,864</u>
Total assets less current liabilities		<u>312,336</u>	<u>285,261</u>	<u>242,021</u>	<u>243,999</u>
Creditors: amounts falling due after more than one year	15	<u>(107,761)</u>	<u>(103,154)</u>	<u>(108,034)</u>	<u>(103,415)</u>
Accruals and deferred income	16	<u>(183)</u>	<u>(187)</u>	<u>(183)</u>	<u>(187)</u>
Provisions for liabilities	17	<u>(8,377)</u>	<u>(7,769)</u>	<u>(6,017)</u>	<u>(7,479)</u>
Minority Interest		<u>(1,001)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets		<u>195,014</u>	<u>174,151</u>	<u>127,787</u>	<u>132,918</u>
Capital and reserves					
Called up share capital	19	31	30	31	30
Share premium account	20	50	50	50	50
Revaluation reserve	20	116,822	99,209	63,009	66,045
Profit and loss account	20	78,111	74,862	64,697	66,793
Shareholders' funds	21	<u>195,014</u>	<u>174,151</u>	<u>127,787</u>	<u>132,918</u>

These financial statements were approved by the board of directors on 29 January 2016 and were signed on its behalf by:



Angela Vickers
Director

Company Registered Number: SC073489

Group cash flow statement
for the year ended 30 April 2015

		2015 £000	2015 £000	2014 £000	2014 £000
Cash inflow from operating activities	25		17,144		17,447
Returns on investment and servicing of finance					
Interest paid		(14,166)		(4,798)	
Net cash outflow from returns on investment and servicing of finance			(14,166)		(4,798)
Taxation					
Corporation tax paid			(694)		(419)
Capital expenditure and financial investment					
Payments to acquire tangible assets		(26,997)		(3,611)	
Net cash outflow from capital expenditure and financial investment			(26,997)		(3,611)
Shares issued			1		-
Equity dividends paid			(100)		(1,487)
Net cash (outflow)/ inflow before financing			(24,812)		7,132
Financing					
Bank Loan financing received/ (repaid)		23,000		(14,295)	
Costs incurred on financing transactions		(409)		(235)	
Finance leases entered into		5,000		6,967	
Costs incurred on finance lease transactions		(58)		(145)	
Movement of directors' loan		-		(52)	
Net cash inflow/ (outflow) from financing			27,533		(7,760)
Increase/ (decrease) in cash in the period			2,721		(628)

Statement of total recognised gains and losses
for the year ended 30 April 2015

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Profit for the financial year	3,103	5,994	(2,183)	1,250
Unrealised surplus on revaluation of properties	18,541	18,123	3,036	15,501
Total recognised gains and losses relating to the financial year	21,644	24,117	853	16,751

Consolidated note of historical cost profits and losses
for the year ended 30 April 2015

	2015	2014
	£000	£000
Reported profit on ordinary activities before taxation	4,657	6,844
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	319	300
Historical cost profit on ordinary activities before taxation	4,976	7,144
Historical cost profit for the year retained after taxation	3,422	6,294

Notes

(Forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

The group has consistently applied all relevant accounting standards.

In accordance with Section 408 of the Companies Act 2006, the company is exempt from the requirement to file an individual profit and loss account.

Going concern

The Group's business activities and future trading prospects are outlined in the Strategic report on page 2.

Cash flow forecasts for the Group for the twelve months following the date of signature of these consolidated financial statements has been prepared, reflecting the directors' assessment of current market conditions. Further, the directors have considered amended projections after the application of downside scenarios, together with the assessment of mitigating actions that could be taken in the event that market conditions worsen, such as cost savings and the deferral of capital expenditure.

Both the forecasts and the sensitised forecasts demonstrate that the Group will be able to operate within existing bank facilities with ongoing compliance with financial covenants.

Consequently, the directors are of the opinion that the group has sufficient resources to continue in operation existence for the foreseeable future by meeting its liabilities as they fall due for payment. Based on the factors described above, the directors believe that it is appropriate to prepare the financial statements on a going concern basis.

Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Where relevant, deferred taxation balances are reduced by tax losses available to the group in the future where directors consider there is likely to be suitable profits in the future to absorb such losses.

Fixed assets and depreciation

The group's operating hotels, comprising land and buildings and related contents, are incorporated into the accounts at a valuation as fully operational business units including trade furniture, furnishings and equipment.

Hotels in development are held at cost until the hotel is operational.

Expenditure on hotels is capitalised if it provides new or enhanced revenue streams. The cost of other fixed assets is their purchase cost together with any incidental costs of acquisition.

It is the group's policy to maintain its operating hotels to a high standard in order to protect its trade. Within hotels contents, a base level of hotel fixtures and fittings is maintained. The cost of replacing these fixtures, fittings and other contents is charged against profits in the year in which it is incurred as the cost of maintaining the overall standard of performance.

Notes (continued)

1 Accounting policies (continued)

Fixed assets and depreciation (continued)

Depreciation is provided to write off the cost (or valuation where applicable) less the estimated residual value of tangible instalments over their estimated useful economic lives. Based upon a review of hotel fixed assets, further asset categories have been introduced in the current year and useful economic lives estimated as follows:

Land	- not depreciated
Hotel buildings (including fixtures and fittings)	- 50 years
Leasehold buildings	- remaining lease term
Building enhancements	- 10-15 years
Fixtures & fittings	- 7-10 years
Plant & machinery	- 5-10 years
IT equipment and software	- 4-8 years
Hotels under development	- not depreciated

Any impairment in the value of hotel properties is charged to the profit and loss account or statement of recognised gains and losses, as appropriate, in the financial period in which it arises.

Interest and related finance costs incurred in funding hotels under development are capitalised up until completion of the development.

Investment properties

Investment properties are defined as properties held for their investment potential. Such properties are held in the balance sheet at their open market value at the balance sheet date on the basis of a directors' valuation.

In accordance with SSAP 19, (i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve; and (ii) no depreciation or amortisation is provided in respect of investment properties. This may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot separately be identified or quantified.

Revaluation reserve

An amount equal to the excess of the depreciation charge on revalued assets over the notional historic depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Stocks

Stock is valued at the lower of cost and net realisable value.

Hotels in development

Pre trading expenditure of a revenue nature related to hotels in development is written off on opening.

Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

Financing costs

Costs incurred in relation to debt financing are expensed to the profit and loss account over the period of the loan.

Notes (continued)

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

3 Operating profit

	2015 £000	2014 £000
<i>Profit on ordinary activities before taxation is stated after charging/ (crediting):</i>		
Depreciation	3,068	3,090
Loss on disposal of fixed assets	157	8
Auditor's remuneration		
- audit	28	19
- taxation	15	15
- other advice	25	-
Operating leases – operating hotels	4,084	4,071
Government grants	(4)	(5)
	<u> </u>	<u> </u>

4 Remuneration of directors

	2015 £000	2014 £000
Directors' emoluments	628	602
	<u> </u>	<u> </u>

The emoluments of the highest paid director were £251,000 (2014: £337,000).

A provision of £4,775,000 has been recognised as an exceptional item, relating to accrued bonus payments under the long term bonus incentive arrangements. Amounts payable are linked to the growth in Group net assets since 2008, and are payable by 31 October 2018.

5 Staff numbers and costs

The average number of persons employed by the Group and Company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2015	2014
Administration	88	88
Sales	664	628
	<u> </u>	<u> </u>
	752	716
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	2015 £000	2014 £000
Wages and salaries	15,003	14,192
Social security costs	1,199	1,149
	<u> </u>	<u> </u>
	16,202	15,341
	<u> </u>	<u> </u>

Notes (continued)

6 Interest payable and similar charges

	2015 £000	2014 £000
Interest charged on bank loans and overdrafts	2,554	3,382
Bank fees expensed	1,545	3,006
Amounts paid on finance leases (net of amortisation)	1,156	928
	<u>5,255</u>	<u>7,316</u>

Exceptional interest charges of £1,202,000 (2014: £2,727,000) relate to a bank arrangement fee payable in respect of the development term loan utilised for the development of Apex Temple Court.

7 Taxation

Analysis of the tax charge for the year

	2015 £000	2014 £000
Current tax		
UK corporation tax – current year	948	668
– adjustment in respect of prior years	(2)	-
Total current tax charge	<u>946</u>	<u>668</u>
Deferred tax – current year	234	131
Adjustment in respect of prior years:	426	7
Change in rate	(52)	44
Total deferred tax charge (note 18)	<u>608</u>	<u>182</u>
Total tax charge for the year	<u>1,554</u>	<u>850</u>

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2014: higher) than the standard rate of corporation tax in the UK. In 2015 the main factor affecting the total tax credit is deferred tax which is provided at 20%, and therefore the standard rate used in the analysis set out below is 21% (2014: 23%). The differences are explained below:

	2015 £000	2014 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	4,657	6,844
Current tax at 20.91% (2014: 22.84%)	<u>974</u>	<u>1,563</u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1,211	7
Income not taxable	(1)	-
Movements in deferred tax provided	(450)	(638)
Losses utilised	(788)	(271)
Adjustment in respect of prior year	2	7
Current tax charge	<u>948</u>	<u>668</u>

Notes (continued)

7 Taxation (continued)

Factors that may affect future current and total tax charges

Based on current capital investment plans, the group expects to be able to claim capital allowances in excess of depreciation in future years. In accordance with FRS 19, no provision has been made for deferred taxation on gains recognised on revaluing the group's properties to market value. Such tax would become payable only if the properties were sold without it being possible to claim rollover relief. At 30 April 2015, there was no obligation to dispose of any revalued properties. The amount of unprovided tax is shown at note 18.

8 Dividends

	2015 £000	2014 £000
Dividends on equity shares:		
Ordinary shares – interim paid	100	1,487

9 Investment properties

Valuation

	Group £000	Company £000
At beginning and end of year	1,065	1,065

10 Tangible fixed assets Group

	Operating hotels £000	Hotels in development £000	Head office property and equipment £000	Total £000
Cost or valuation				
At beginning of year	290,544	10,615	3,644	304,803
Additions	2,959	23,747	291	26,997
Disposals	(11)	-	(475)	(486)
Revaluations	18,129	-	-	18,129
At end of year	311,621	34,362	3,460	349,443
Depreciation				
At beginning of year	6,024	-	1,319	7,343
Charge for year	2,752	-	316	3,068
Disposals	(9)	-	(320)	(329)
Revaluation	(731)	-	-	(731)
At end of year	8,036	-	1,315	9,351
Net book value				
At 30 April 2015	303,585	34,362	2,145	340,092
At 30 April 2014	284,520	10,615	2,325	297,460

Notes (continued)

10 Tangible fixed assets (continued)

Company	Operating hotels	Hotels in development	Head office property and equipment	Total
	£000	£000	£000	£000
Cost or valuation				
At beginning of year	207,154	5,221	3,644	216,019
Additions	2,739	11,635	291	14,665
Disposals	(11)	-	(475)	(486)
Transfer to subsidiary	(45,131)	-	-	(45,131)
Revaluation	(3,183)	-	-	(3,183)
At end of year	161,568	16,856	3,460	181,884
Depreciation				
At beginning of year	5,630	-	1,319	6,949
Charge for year	2,035	-	316	2,351
Transfer to subsidiary	(647)	-	-	(647)
Disposals	(2)	-	(320)	(322)
Revaluation	(333)	-	-	(333)
At end of year	6,683	-	1,315	7,998
Net book value				
At 30 April 2015	154,885	16,856	2,145	173,886
At 30 April 2014	201,524	5,221	2,325	209,070

Capitalised interest costs included above total £15,750,000 (2014: £15,275,000) for the group and £10,259,000 (2014: £10,016,000) for the company at an average rate of 3.6% (2014: nil%) for the year.

The group's operating hotel portfolio including the group's investment properties (note 9) were valued by the directors as at 30 April 2015, based upon open market valuations performed by Chartered Surveyors Cushman & Wakefield LLP and Christie Group Plc, in accordance with RICS Appraisal and valuation standards. The hotels were valued as fully equipped operational entities and with regard to trading potential.

During the year, the Group entered into an amendment to the sale and leaseback agreement secured on the City of London Hotel, generating financing of £5 million. Under the terms of this agreement, the hotel is subject to ongoing rental obligations over the next 150 years, and the Company has an option at the end of the lease term to repurchase the site for £1. In accordance with the accounting treatment outlined in section 21 of FRS 5, this hotel continues to be recognised on balance sheet on a freehold valuation as if the sale and leaseback transaction had not occurred.

In determining the amount of depreciation of hotel buildings, the land element of depreciable assets has been estimated, based on reasoned judgement, to be £56.5 million (2014: £40.1 million).

Cost or valuation of operating hotels comprises:

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
2015 valuation	298,900	282,000	150,200	199,000
Cost	4,685	4,620	4,685	4,620
	303,585	286,620	154,885	203,620

Notes (continued)

10 Tangible fixed assets (continued)

The historical cost and accumulated depreciation of fixed assets is shown below. Historic accumulated depreciation is written back when properties are revalued upwards.

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Historical cost				
Operating hotels	203,542	194,889	117,612	144,198
Head office property and equipment	3,438	3,622	3,438	3,622
Hotels in development	26,713	9,650	263	9,646
	<u>233,693</u>	<u>208,161</u>	<u>121,313</u>	<u>157,466</u>
Accumulated depreciation				
Operating hotels	9,454	9,628	7,945	8,770
Head office property and equipment	1,314	2,028	1,314	2,028
	<u>10,768</u>	<u>11,656</u>	<u>9,259</u>	<u>10,798</u>
Net book value	<u>222,925</u>	<u>196,505</u>	<u>112,054</u>	<u>146,668</u>

11 Fixed assets – investments

Company
£

Investment in subsidiaries

Cost

At start and end of year

-

Principal subsidiary undertakings of the company included in the consolidation.

Company	Country of registration	Class of share	Proportion held	Nature of business
Apex Hotels (London 3) Limited	Scotland	Ordinary	100%	Hotel operation and management
Apex Hotels (Developments) Limited	Scotland	Ordinary	75%	Hotel operation and management
Rossmark Hotels (Glasgow) Limited	Scotland	Ordinary	100%	Hotel operation and management

The subsidiaries listed above are the only related undertakings of the company.

12 Stocks

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Bar, catering, marketing and stationery stock	337	320	271	277

Notes (continued)

13 Debtors

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Trade debtors	1,905	2,182	1,226	1,640
Amounts receivable from subsidiaries	-	-	83,751	47,325
Taxes recoverable	1,186	-	1,187	-
Prepayments and accrued income	1,295	1,344	1,166	1,254
	<u>4,386</u>	<u>3,526</u>	<u>87,330</u>	<u>50,219</u>

14 Creditors: amounts falling due within one year

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Trade creditors	1,605	1,383	1,605	1,383
Other creditors	2,758	2,831	2,463	2,548
Other taxes and social security	802	1,089	765	1,089
Accruals and deferred income	6,237	1,304	5,971	1,101
Finance leases	247	251	247	251
Bank loan	24,000	1,000	11,000	1,000
Bank overdraft	-	635	-	641
Financing costs accrued	-	8,636	-	8,636
	<u>35,649</u>	<u>17,129</u>	<u>22,051</u>	<u>16,649</u>

The bank loan is secured (see note 15).

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Bank loan	69,400	69,400	69,400	69,400
Unamortised loan costs	(1,092)	(1,026)	(819)	(765)
Finance leases	39,223	34,550	39,223	34,550
Directors' loan	230	230	230	230
	<u>107,761</u>	<u>103,154</u>	<u>108,034</u>	<u>103,415</u>

A bank arrangement fee of £9.85 million was paid in September 2014, arising from a development term loan utilised for the development of Apex Temple Court. This fee was accrued evenly through the original term of the loan.

Notes (continued)

15 Creditors: amounts falling due after more than one year (continued)

Bank loan

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Repayable in one year or less, or on demand (note 14)	24,000	1,000	11,000	1,000
Repayable between one and two years	8,000	3,000	8,000	3,000
Repayable between two and five years	61,400	66,400	61,400	66,400
	<u>93,400</u>	<u>70,400</u>	<u>80,400</u>	<u>70,400</u>

On 17 October 2013, the Company entered into a bank facility agreement with the Royal Bank of Scotland, comprising senior debt of £69,400,000 with a further £10,000,000 available under a revolving credit facility. This facility was revised on 2nd March 2015 to increase the available revolving credit facility to £15,000,000. The interest payable on this loan is 1.95%–2.6% per annum above LIBOR.

Commencing in July 2016, the loan will be repayable in quarterly instalments of £2 million with a final balloon repayment in January 2020.

The Royal Bank of Scotland overdraft and loan are secured by standard securities over the group's properties and by a bond and floating charge over the group's assets (excluding those properties owned by Apex Hotels (Developments) Limited).

In September 2014, the group arranged facilities of £13 million from Bank of Scotland for the purchase of a site for development in Bath. Post year end, facilities of £29 million were agreed with Bank of Scotland, to repay the existing term loan and provide financing for the development of the Bath site. These facilities expire in January 2021, with a holiday repayment until 12 months after the opening of the City of Bath hotel, with quarterly repayments of £426,000 thereafter. The interest payable on this loan is 2.5% per annum above LIBOR.

This funding was arranged via a new wholly owned subsidiary company, Apex Hotels (Developments) Limited, set up for the purpose of purchasing and developing the Bath site. The Bank of Scotland loan is secured by standard securities over the properties owned by Apex Hotels (Developments) Limited and by a bond and floating charge over the company's assets.

Finance leases

Group and Company	2015 £000	2014 £000
Repayable in one year or less, or on demand	1,474	1,301
Repayable between one and two years	1,474	1,301
Repayable between two and five years	4,409	3,885
Repayable in five years or more	210,130	184,598
	<u>217,487</u>	<u>191,085</u>
Less: future finance charges	(178,017)	(156,284)
	<u>39,470</u>	<u>34,801</u>

Notes (continued)

15 Creditors: amounts falling due after more than one year (continued)

Group and Company	2015 £000	2014 £000
Repayable between five and ten years	7,302	6,414
Repayable between ten and twenty years	14,604	12,829
Repayable between twenty and fifty years	43,813	38,486
Repayable in fifty years or more	144,411	126,870
	<u>210,130</u>	<u>184,599</u>

During the year, the Group secured a further sale and leaseback agreement secured upon the Apex City of London Hotel. Under the terms of the agreement, annual rent is payable of £172,000 on a long term lease expiring in 2163. The proceeds of this transaction have been applied to undertake a redevelopment of the building adjacent to the existing hotel creating an additional 30 bedrooms.

In accordance with FRS5, these transactions are accounted for as financing arrangements and rent payable is treated as an interest expense in the Profit and Loss account, less amortisation of the capital sum received.

The directors' loans are interest free and not expected to be repaid within one year.

16 Accruals and deferred income

Group and Company	2015 £000	2014 £000
<i>Government grants</i>		
At beginning of year	187	192
Released in year	(4)	(5)
	<u>183</u>	<u>187</u>

17 Provisions for liabilities

	Group		Company	
Deferred taxation	2015 £000	2014 £000	2015 £000	2014 £000
At beginning of year	7,769	7,587	7,479	8,198
Release on asset disposal	-	-	(908)	-
Movements in the year (see note 7)	608	182	(554)	(719)
	<u>8,377</u>	<u>7,769</u>	<u>6,017</u>	<u>7,479</u>

Notes (continued)

18 Deferred taxation

Deferred tax is analysed over the following timing differences:

	Group Provided		Company Provided	
	2015 £000	2014 £000	2015 £000	2014 £000
Accelerated capital allowances	8,588	8,734	6,017	7,479
Tax losses available	(211)	(965)	-	-
	<u>8,377</u>	<u>7,769</u>	<u>6,017</u>	<u>7,479</u>

The capital gains tax liability which would arise on disposal of the hotel properties and related fixtures and fittings at their revalued amounts is approximately £23.4 million (2014: £19.1 million) and is not provided since there is no obligation to dispose of these properties at 30 April 2015.

19 Called up share capital

Group and Company	2015 £000	2014 £000
<i>Allotted, called up and fully paid</i>		
31,500 ordinary shares of £1 each	<u>31</u>	<u>30</u>

Notes (continued)

20 Share premium and reserves

Group

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At beginning of year	50	99,209	74,862	174,121
Profit for the year	-	-	3,103	3,103
Dividends	-	-	(100)	(100)
Reclassification	-	(319)	319	-
Minority interest	-	(928)	(73)	(1,001)
Property revaluations	-	18,860	-	18,860
At end of year	<u>50</u>	<u>116,822</u>	<u>78,111</u>	<u>194,983</u>

Company

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At beginning of year	50	66,045	66,793	132,888
Profit for the year	-	-	(2,183)	(2,183)
Dividends	-	-	(100)	(100)
Reclassification	-	(187)	187	-
Property revaluations	-	(2,849)	-	(2,849)
At end of year	<u>50</u>	<u>63,009</u>	<u>64,697</u>	<u>127,756</u>

21 Reconciliation of movements in shareholders' funds

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Profit for the year	3,103	5,994	(2,183)	1,250
Shares issued	1	-	1	-
Dividends	(100)	(1,487)	(100)	(1,487)
Minority interest	(1,001)	-	-	-
Revaluations	18,860	18,123	(2,849)	15,501
Net addition to shareholders' funds	<u>20,863</u>	<u>22,630</u>	<u>(5,131)</u>	<u>15,264</u>
Opening shareholders' funds	<u>174,151</u>	<u>151,521</u>	<u>132,918</u>	<u>117,654</u>
	<u>195,014</u>	<u>174,151</u>	<u>127,787</u>	<u>132,918</u>

Notes (continued)

22 Acquisitions

The group purchased the share capital of Rossmark Hotels (Glasgow) Limited for a total consideration of £41,000 on 29 December 2014. The company owned a hotel in Glasgow, trading as the Marks Hotel, which ceased trading on 4 January 2015 to undergo a period of refurbishment.

	Book value £000	Revaluations £000	Other £000	Fair Value £000
Tangible fixed assets	6,437	1,213	-	7,650
Stock	4	-	-	4
Debtors	117	-	(6)	111
Cash at Bank	28	-	-	28
Creditors	(102)	-	-	(102)
Term loan	(7,650)	-	-	(7,650)
	<u>(1,166)</u>	<u>1,213</u>	<u>(6)</u>	<u>41</u>

The revaluation adjustment is attributable to the valuation of the Marks Hotel, Glasgow. The term loan payable to Allied Irish Bank was settled in full immediately post acquisition of the company.

No deferred tax has been recognised on fair value adjustments on fixed assets as there is no intention to sell the assets concerned. A deferred tax asset of £179,000 was unrecognised.

23 Operating leases

The commitments payable in the next financial year in respect of non-cancellable operating leases are:

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
<i>Leases which expire in:</i>				
More than five years	4,083	4,012	3,659	3,741

The group leases two hotels under operating leases expiring in 2041.

24 Capital commitments

Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	2015 £000	2014 £000
Contracted for but not provided	3,933	-

Notes (continued)

25 Reconciliation of operating profit to net cash flow from operating activities

	2015 £000	2014 £000
Operating profit	9,912	14,160
Depreciation and amortisation charges	3,068	3,090
Loss on disposal of fixed assets	157	8
Amortisation of financing costs	344	279
(Increase)/ Decrease in stocks	(17)	4
(Increase)/ Decrease in debtors	326	(131)
Increase in creditors	3,358	42
Government grant released	(4)	(5)
	<u>17,144</u>	<u>17,447</u>

26 Reconciliation of net cash flow to movement in net debt

	2015 £000	2014 £000
Increase in cash in the year	2,721	(628)
Decrease in debt financing	(27,533)	7,760
	<u>(24,812)</u>	<u>7,132</u>
Change in net debts resulting from cash flows	(24,812)	7,132
Loan and financing costs	(70)	(69)
	<u>(24,882)</u>	<u>7,063</u>
Movement in net debt in the year	(24,882)	7,063
Net debt at the start of the year	(105,021)	(112,084)
	<u>(129,903)</u>	<u>(105,021)</u>
Net debt at the end of the year	(129,903)	(105,021)

Notes (continued)

26 Analysis of net debt

	At beginning of year £000	Cash flow £000	Non cash movement £000	At end of year £000
Cash in hand, at bank	19	2,086	-	2,105
Bank overdraft	(635)	635	-	-
Debt due within one year	(1,000)	(23,000)	-	(24,000)
Debt due after one year	(69,400)	-	-	(69,400)
Loan costs	1,026	409	(343)	1,092
Finance leases	(34,801)	(4,942)	273	(39,470)
Directors' loans	(230)	-	-	(230)
	<u>(105,040)</u>	<u>(26,898)</u>	<u>(70)</u>	<u>(132,008)</u>
Total	<u>(105,021)</u>	<u>(24,812)</u>	<u>(70)</u>	<u>(129,903)</u>

27 Related party transactions

During the year the group incurred architectural fees totalling £482,055 (2014: £59,983) from Ian Springford Architects. Of this amount £52,429 (2014: £nil) is outstanding at the year end. Ian Springford is a director of Apex Hotels Limited.

Apex Hotels Limited incurred design fees from Atom Design Limited totalling £26,355 (2014: £44,115). Of this amount £nil (2014: £12,200) is outstanding at the year end. Atom Design Limited is a company owned by DB Springford, a director of Apex Hotels Limited.

Also, during the year, Apex Hotels Limited incurred professional fees totalling £49,367 (2014: £296,706) to Zest Capital Management during the year, relating to director's fees in the current financial year, and director's fees and rent for the Group's head office last year. Of this amount £nil (2014: £nil) is outstanding at the year end. JM Wilkie, a director of Apex Hotels Limited, is a Partner in Zest Capital Management.