

# Financial Statements

## Etchecan Limited

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For the Period Ended 29 January 2017

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SCT 18/07/2017 #319  
COMPANIES HOUSE

**Registered number: SC235178**

## Company Information

<b>Directors</b>	J A Brown A Higgins W Paisley S F Valentine R Brown F W Paton C J Paton (appointed 23 May 2016)
<b>Registered number</b>	SC235178
<b>Registered office</b>	c/o Brodies LLP 15 Atholl Crescent Edinburgh EH3 8HA
<b>Independent statutory auditor</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 7 Exchange Crescent Edinburgh EH3 8AN
<b>Bankers</b>	Bank of Scotland 3-5 Albyn Place Aberdeen AB10 1PY  Allied Irish Bank (GB) 19 Charlotte Square Edinburgh EH2 4DE
<b>Legal advisors</b>	Brodies LLP 15 Atholl Crescent Edinburgh EH3 8HA

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# Group Strategic Report

## For the Period Ended 29 January 2017

### Introduction

The principal activity of the Group during the period was that of hoteliers and the provision of strategic and operational management services.

### Business review

#### Financial overview

Group turnover for the period to 29 January 2017 amounted to £13.9m, a decrease of £2.1m on the prior period figure of £16.0m. Profit before tax was £1.3m, a decrease of £1.5m against the prior period figure of £2.8m. As anticipated, the performance fell short of the prior period, however profit before tax was around 60% ahead of budget expectations. Accordingly this is viewed positively by the board and builds upon the performances delivered in previous periods.

The directors continue to be delighted with the trading performance and asset improvement programme delivered during the period and are of the opinion that the Group is well positioned to continue to trade successfully, maintaining market share, within its target operational areas.

#### Financial performance

Financial performance during the period can be analysed as follows:

	Period from 1 February 2016 to 29 January 2017	Period from 26 January 2015 to 31 January 2016	Change
	£'000	£'000	%
Turnover	13,912	16,020	(13.1)
Gross Profit	12,530	14,543	(13.8)
Profit before tax	1,349	2,750	(53.6)

#### Strategy

The Group strategy during the period continues to be that of positioning its hotels and associated facilities as those of choice for the business and leisure guest. This strategy is underpinned by the continual reinvestment in the group's property portfolio together with significant resources devoted to IT, e commerce and distribution together with staff training and development. This is critical in markets where the consumer has a choice and by focusing on those key elements the Group should ensure that it is well placed to maintain its market position.

#### Turnover

Sales of £13.9m were achieved. Given the challenging nature of some of the local markets in which the Group operates this is an excellent performance. In comparison to the prior period a shortfall of 13% arises however this decrease is viewed positively, exceeding the anticipated result.

#### Gross profit

Gross margins achieved equated to 90.1%, in line with budget expectations, although this is behind marginally on the prior period result of 90.8%. This is considered more than acceptable and demonstrates the effectiveness of maintaining close working, commercially focused relationships with major suppliers to the group. The forward view remains relatively positive with continued effort being focused on the supply chain to ensure maximum efficiencies. Inflationary increases in global commodity prices may have a limited adverse impact going forward.

# **Group Strategic Report**

## **For the Period Ended 29 January 2017**

### **Operating costs**

A saving of £0.7m is driven by the turnover reduction and judicious cost controls where we have the ability to exert direct influence on a particular expenditure stream. Focus continues to be placed on controlling the overhead base of the Group through supply chain management and operational efficiency measures.

### **Capital expenditure**

The Group continues to embark upon a sustained programme of asset management and improvement by ensuring adequate sums are available to refurbish and maintain the hotel properties to a high level to promote guest satisfaction and efficiency of operation. Levels of investment vary from year to year as determined by a rolling asset management programme. In line with that programme, and the needs of our individual businesses, hotel refurbishment during the period amounted to £1m. This brings the total investment in properties to around £10.8m over the past 13 years.

### **Principal risks and uncertainties**

The management of the Group and nature of the Group's activities are subject to a number of risks. The directors are of the opinion that a thorough risk management process is adopted which involves the formal review of all of the risks identified below. Where possible, processes are in place to monitor and mitigate such risks. The directors have set out below the principal risks facing the business.

#### **Economic downturn**

The success of the business is in part dependent upon business and consumer spending. A marked reduction in such spending will impact on Group income, however minor fluctuations will have little effect. In response to this risk, senior management review general economic conditions together with the micro economic conditions prevalent in each of its trading locations. Should severe downturns be predicted or occur, marketing and pricing strategies would be modified to reflect the new market conditions. Importantly, operational efficiency of the business units is also continually monitored and challenged to ensure that best value is extracted from all areas.

#### **Costs**

Energy continues to be a significant cost item to the group and as a major consumer the Group has continued to adopt a prudent approach to mitigate risk and has in place fixed price contracts for the supply of electricity and gas. Other costs are continually monitored and where possible subject to fixed term contractual pricing agreements. Recognising the potential to drive consumption efficiencies and reduce any impact on the environment, the Group continually reviews its heating, lighting and ventilation installations in conjunction with professional advisors and environmental agencies to ensure that maximum efficiency is obtained.

#### **Competition**

Local competition exists in each of the Group's geographical markets. As a result pressure may be applied to pricing and/or the level of service provided to customers. Diligent and continuous market research of prices, offerings and forthcoming events is in place to ensure this risk is minimised.

#### **Product**

Due to the market in which the Group operates the quality of offering to the guest is of prime importance. Accordingly should any of the guest areas fall into a state of disrepair there is a risk of losing business. To mitigate this risk the directors and senior management operate an asset management programme to ensure each property is maintained to a high level to maximise guest satisfaction and operational efficiency.

#### **Financing**

Banking facilities continue to remain on favourable terms. No additional facilities have been sought during the period. The scheduled capital repayment programme on a portion of the Group's term debt continues in line with the terms of the facility. An appropriate mix of fixed rate swaps and variable rate facilities are utilised to ensure that the impact of rate fluctuations on the business are minimised. These fixed rate swaps are set to expire in line with the primary term facilities of the Group.

**Etchecan Limited**

# **Group Strategic Report**

**For the Period Ended 29 January 2017**

## **Financial key performance indicators**

	<b>Period from 1 February 2016 to 29 January 2017</b>	<b>Period from 26 January 2015 to 31 January 2016</b>
Sales growth (%)	<b>(13.1)</b>	<b>(2.5)</b>
Gross profit margin (%)	<b>90.1</b>	<b>90.8</b>
Profit before tax(%)	<b>9.7</b>	<b>21.8</b>
Capital expenditure (£000)	<b>987</b>	<b>587</b>

This report was approved by the board on 29 June 2017 and signed on its behalf.

**A Higgins**  
Director

## **Directors' Report**

**For the Period Ended 29 January 2017**

The directors present their report and the financial statements for the period ended 29 January 2017.

### **Directors' responsibilities statement**

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Results and dividends**

The profit for the period, after taxation and minority interests, amounted to £1,078k (2016 - £2,164k).

Particulars of dividends are detailed in note 12 to the financial statements.

### **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 Business review section of the Group Strategic Report on pages 1 to 3.

In addition the Directors' Report includes the group's financial risk management objectives and policies. These cover the principal areas of perceived risk including: financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit and liquidity risk.

Group trading forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should continue to generate positive cash flows for the foreseeable future. Current and projected results suggest that no net overdraft borrowing will be required on a group basis.

The group has considerable financial resources, well structured term facilities, and trading assets located across different geographic areas. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic and political outlook.

# **Directors' Report (continued)**

**For the Period Ended 29 January 2017**

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## **Financial risk management objectives and policies**

The group is funded by financial instruments including loans, cash and operational items, such as trade debtors and trade creditors which have inherent financial risk. The Board prudently manages these financial risks in the manner shown below. All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

### **Financial risk**

Financial risk encompasses currency risk, price risk, liquidity risk, insurance risk and interest rate risk. The group's policies for managing the fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below.

### **Interest rate risk**

The interest rate risk is mitigated by having in place interest rate swaps of £12 million, which are shown within fixed, as the swaps pay a fixed rate. The interest rate exposure of the financial assets and liabilities of the group at 29 January 2017 is shown in the table below. The table includes trade debtors and trade creditors as these do not attract interest and are therefore subject to fair value interest rate risk.

	Fixed £'000	Floating £'000	Zero £'000	Total £'000
<b>Financial Assets</b>				
Cash	-	3,527	-	<b>3,527</b>
Trade Debtors	-	-	354	<b>354</b>
<b>Financial Liabilities</b>				
Bank loans	12,000	11,490	-	<b>23,490</b>
Trade Creditors	-	-	541	<b>541</b>

### **Insurance risk**

The directors put in place appropriate insurance policies in the following areas: property, employer and public liability, consequential loss and director and officer cover. Annual reviews are undertaken to ensure that cover is maintained and in appropriate areas and at levels sufficient to protect the business.

### **Liquidity risk**

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by significant cash balances and overdraft facilities as required within subsidiary companies.

### **Currency risk**

The group is not exposed to currency risk as all transactions and balances are denominated in sterling.



## **Directors' Report (continued)**

**For the Period Ended 29 January 2017**

### **Price risk**

The group is not exposed to price risk as it does not hold any financial instruments subject to pricing by third parties.

### **Credit risk**

The group's principal financial assets are cash and trade debtors. The principal credit risk therefore arises from trade debtors. In order to manage credit risk the directors set limits for customers based on references from an independent credit reference agency. Credit limits are reviewed by the group financial controller on a regular basis in conjunction with debt ageing and collection history.

### **Directors**

The directors who served during the period were:

J A Brown  
A Higgins  
W Paisley  
S F Valentine  
R Brown  
F W Paton  
C J Paton (appointed 23 May 2016)

### **Donations**

During the period the Group made charitable donations of £30,000 (2016 - £32,000).

### **Fixed assets**

In line with independent valuations, the directors are of the opinion that the market value of the portfolio of assets continues to be in excess of the carrying value in the financial statements. These valuations have not been incorporated within the financial statements.

### **Future developments**

The directors continue to review the competition and seek opportunities for growth within the current estate together with existing and new geographical markets within the UK. They believe that through continual strategic investment in both properties and staff through training and development that a competitive edge will be maintained.

As always there are varying views on the general economy, and in particular the oil related downturn in Aberdeen where one of the group assets is located. It is the directors' belief that, whilst challenging, credible results should be delivered in the coming year through a determined and professional approach to group sales, marketing and yield management activities, all underpinned by an integrated IT platform. The anticipated impact of cost inflation will again be minimised by continuing efforts to maximise usage efficiencies and drive purchasing synergies across the group by working closely in partnership with key suppliers to ensure best value is obtained.

### **Employee involvement**

During the period, regular meetings were held between local management and employees to allow a free flow of information and ideas.

## **Directors' Report (continued)**

**For the Period Ended 29 January 2017**

### **Disabled employees**

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

### **Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

### **Post Statement of Financial Position events**

The freehold interest in an area of land, formerly leased and forming part of the property footprint was purchased post year end at a cost of £195k.

### **Auditor**

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 29 June 2017 and signed on its behalf.

**A Higgins**

Director



## Independent Auditor's Report to the Members of Etchecan Limited

We have audited the financial statements of Etchecan Limited for the period ended 29 January 2017, which comprise the consolidated Statement of comprehensive income, the consolidated and company Statements of Financial Position, the consolidated Statement of cash flows, the consolidated and company Statement of changes in equity, and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 on page 4, 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](http://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 29 January 2017 and of the group's profit for the 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.



## Independent Auditor's Report to the Members of Etchecan Limited (continued)

### **Opinion 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 Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Group strategic report and the Directors' report 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 parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report and the Directors' report.

### **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.

Diana Penny (Senior statutory auditor)  
for and on behalf of  
Grant Thornton UK LLP  
Chartered Accountants  
Statutory Auditor  
Edinburgh

29 June 2017

# Consolidated Statement of Comprehensive Income

For the Period Ended 29 January 2017

	Note	2017 £000	2016 £000
Turnover	4	13,912	16,020
Cost of sales		(1,382)	(1,477)
<b>Gross profit</b>		<b>12,530</b>	<b>14,543</b>
Administrative expenses		(10,645)	(11,296)
Fair value movements		76	240
<b>Operating profit</b>	5	<b>1,961</b>	<b>3,487</b>
Interest receivable and similar income	9	4	7
Interest payable and expenses	10	(616)	(744)
<b>Profit before taxation</b>		<b>1,349</b>	<b>2,750</b>
Tax on profit	11	(271)	(586)
<b>Profit for the financial period</b>		<b>1,078</b>	<b>2,164</b>
Fair value movements on financial instruments		(13)	(88)
Deferred tax on fair value movements		(27)	18
<b>Other comprehensive income for the period</b>		<b>(40)</b>	<b>(70)</b>
<b>Total comprehensive income for the period</b>		<b>1,038</b>	<b>2,094</b>
<b>Profit for the period attributable to:</b>			
Non-controlling interests		56	65
Owners of the parent company		1,022	2,099
		<b>1,078</b>	<b>2,164</b>
<b>Total comprehensive income for the period attributable to:</b>			
Non-controlling interest		53	59
Owners of the parent company		985	2,035
		<b>1,038</b>	<b>2,094</b>

The notes on pages 18 to 40 form part of these financial statements.

## Consolidated Statement of Financial Position

As at 29 January 2017

	Note	29 January 2017 £000	31 January 2016 £000
<b>Fixed assets</b>			
Goodwill	13	146	164
Negative goodwill	13	(383)	(391)
Tangible assets	14	26,286	26,547
		<u>26,049</u>	<u>26,320</u>
<b>Current assets</b>			
Stocks	17	68	65
Debtors: amounts falling due within one year	18	694	868
Cash at bank and in hand	19	3,527	2,794
		<u>4,289</u>	<u>3,727</u>
Creditors: amounts falling due within one year	20	(3,068)	(2,895)
<b>Net current assets</b>		<u>1,221</u>	<u>832</u>
<b>Total assets less current liabilities</b>		<u>27,270</u>	<u>27,152</u>
Creditors: amounts falling due after more than one year	21	(24,380)	(24,732)
<b>Provisions for liabilities</b>			
Deferred taxation	25	(364)	(413)
		<u>(364)</u>	<u>(413)</u>
<b>Net assets</b>		<u><u>2,526</u></u>	<u><u>2,007</u></u>

## Consolidated Statement of Financial Position (continued)

As at 29 January 2017

	Note	29 January 2017 £000	31 January 2016 £000
<b>Capital and reserves</b>			
Called up share capital	27	1	1
Revaluation reserve	26	107	107
Capital redemption reserve	26	320	320
Other reserves	26	(793)	(758)
Profit and loss account	26	2,749	2,248
<b>Equity attributable to owners of the parent company</b>		<b>2,384</b>	<b>1,918</b>
Non-controlling interests		142	89
		<b>2,526</b>	<b>2,007</b>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 June 2017.

**W Paisley**

Director

The notes on pages 18 to 40 form part of these financial statements.

## Company Statement of Financial Position

As at 29 January 2017

	Note	29 January 2017 £000	31 January 2016 £000
<b>Fixed assets</b>			
Investments	15	4,031	4,031
		<u>4,031</u>	<u>4,031</u>
Creditors: amounts falling due within one year	20	(4,030)	(4,030)
<b>Net current liabilities</b>		<u>(4,030)</u>	<u>(4,030)</u>
<b>Total assets less current liabilities</b>		<u>1</u>	<u>1</u>
<b>Net assets excluding pension asset</b>		<u>1</u>	<u>1</u>
<b>Net assets</b>		<u>1</u>	<u>1</u>
<b>Capital and reserves</b>			
Called up share capital	27	1	1
		<u>1</u>	<u>1</u>

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 period was £524k (2016 - £4,225k)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 June 2017.

**W Paisley**

Director

The notes on pages 18 to 40 form part of these financial statements.



# Consolidated Statement of Changes in Equity

For the Period Ended 29 January 2017

	Share capital £000	Capital redemption reserve £000	Revaluation reserve £000	Cash flow hedges £000	Retained earnings £000	Equity attributable to owners of parent company £000	Non- controlling interests £000	Total equity £000
At 1 February 2016	1	320	107	(758)	2,248	1,918	89	2,007
<b>Comprehensive income for the period</b>								
Profit for the period	-	-	-	-	1,025	1,025	53	1,078
Taxation in respect of items of other comprehensive income	-	-	-	(27)	-	(27)	-	(27)
Fair value movement on financial instruments	-	-	-	(8)	-	(8)	-	(8)
<b>Other comprehensive income for the period</b>								
	-	-	-	(35)	-	(35)	-	(35)
<b>Total comprehensive income for the period</b>								
	-	-	-	(35)	1,025	990	53	1,043
Dividends: Equity capital	-	-	-	-	(524)	(524)	-	(524)
<b>Total transactions with owners</b>								
	-	-	-	-	(524)	(524)	-	(524)
<b>At 29 January 2017</b>	<b>1</b>	<b>320</b>	<b>107</b>	<b>(793)</b>	<b>2,749</b>	<b>2,384</b>	<b>142</b>	<b>2,526</b>

The notes on pages 18 to 40 form part of these financial statements.

Etchecan Limited

# Consolidated Statement of Changes in Equity

For the Period Ended 31 January 2016

	Share capital £000	Capital redemption reserve £000	Revaluation reserve £000	Cash flow hedges £000	Retained earnings £000	Equity attributable to owners of parent company £000	Non- controlling interests £000	Total equity £000
At 26 January 2015	1	320	107	(688)	4,368	4,108	40	4,148
<b>Comprehensive income for the period</b>								
Profit for the period	-	-	-	-	2,105	2,105	49	2,154
Taxation in respect of items of other comprehensive income	-	-	-	18	-	18	-	18
Fair value movement on financial instruments	-	-	-	(88)	-	(88)	-	(88)
<b>Other comprehensive income for the period</b>								
	-	-	-	(70)	-	(70)	-	(70)
<b>Total comprehensive income for the period</b>								
	-	-	-	(70)	2,105	2,035	49	2,084
Dividends: Equity capital	-	-	-	-	(4,225)	(4,225)	-	(4,225)
<b>Total transactions with owners</b>								
	-	-	-	-	(4,225)	(4,225)	-	(4,225)
<b>At 31 January 2016</b>	<b>1</b>	<b>320</b>	<b>107</b>	<b>(758)</b>	<b>2,248</b>	<b>1,918</b>	<b>89</b>	<b>2,007</b>

The notes on pages 18 to 40 form part of these financial statements.

## Company Statement of Changes in Equity

For the Period Ended 29 January 2017

	Share capital £000	Retained earnings £000	Total equity £000
At 1 February 2016	1	-	1
Profit for the period	-	514	514
<b>Total comprehensive income for the period</b>	-	514	514
<b>Contributions by and distributions to owners</b>			
Dividends: Equity capital	-	(514)	(514)
<b>Total transactions with owners</b>	-	(514)	(514)
<b>At 29 January 2017</b>	<b>1</b>	<b>-</b>	<b>1</b>

The notes on pages 18 to 40 form part of these financial statements.

## Company Statement of Changes in Equity

For the Period Ended 31 January 2016

	Share capital £000	Retained earnings £000	Total equity £000
At 26 January 2015	1	-	1
Profit for the period	-	4,225	4,225
<b>Total comprehensive income for the period</b>	-	4,225	4,225
<b>Contributions by and distributions to owners</b>			
Dividends: Equity capital	-	(4,225)	(4,225)
<b>Total transactions with owners</b>	-	(4,225)	(4,225)
<b>At 31 January 2016</b>	<b>1</b>	<b>-</b>	<b>1</b>

The notes on pages 18 to 40 form part of these financial statements.

# Consolidated Statement of Cash Flows

For the Period Ended 29 January 2017

	29 January 2017 £000	31 January 2016 £000
<b>Cash flows from operating activities</b>		
Profit for the financial period	1,078	2,164
<b>Adjustments for:</b>		
Amortisation of intangible assets	10	7
Depreciation of tangible assets	1,186	1,203
Loss on disposal of tangible assets	59	13
Interest paid	616	744
Interest received	(4)	(7)
Taxation charge	271	586
(Increase) in stocks	(3)	(4)
Decrease in debtors	174	272
Increase/(decrease) in creditors	334	(799)
Net fair value (gains) recognised in P&L	(76)	(240)
Corporation tax (paid)	(399)	(733)
<b>Net cash generated from operating activities</b>	<b>3,246</b>	<b>3,206</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(984)	(643)
Interest received	4	7
<b>Net cash from investing activities</b>	<b>(980)</b>	<b>(636)</b>
<b>Cash flows from financing activities</b>		
Repayment of loans	(393)	(382)
Dividends paid	(514)	(4,225)
Interest paid	(616)	(744)
Dividends paid to non controlling interests	(10)	(10)
<b>Net cash used in financing activities</b>	<b>(1,533)</b>	<b>(5,361)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>733</b>	<b>(2,791)</b>
Cash and cash equivalents at beginning of period	2,794	5,585
<b>Cash and cash equivalents at the end of period</b>	<b>3,527</b>	<b>2,794</b>
<b>Cash and cash equivalents at the end of period comprise:</b>		
Cash at bank and in hand	3,527	2,794

The notes on pages 18 to 40 form part of these financial statements.

# Notes to the Financial Statements

**For the Period Ended 29 January 2017**

## **1. Company information**

Etchecan Limited is a private limited company incorporated and domiciled in Scotland, where its principal activities of hotel ownership and operation together with the provision of operational and strategic management services to the hotel sector are based.

The company's registered office is detailed on the Company information page at the beginning of these financial statements.

## **2. Accounting policies**

### **2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The accounts are presented in GBP. The company presents the financial statements in round thousands.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

### **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. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, 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.

In accordance with the transitional exemption available in FRS 102, the Group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 27 January 2014.

### **2.3 Turnover**

Turnover is derived from two principal sources: owned and long leasehold properties and management fees. Turnover from owned and long leasehold properties arises from the provision of accommodation, food and beverage sales, corporate and private events, leisure club memberships, room hire and associated services. Revenue is recognised when the respective service has been fully provided.

Turnover from management fees arises from the provision of management services to hotels managed by the Group under long term contracts. Revenue is recognised when earned and realisable under the terms of the contract.

## Notes to the Financial Statements

For the Period Ended 29 January 2017

### 2. Accounting policies (continued)

#### 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 business review section of the Group Strategic Report on pages 1-2.

In addition the report includes the Group's financial risk management objectives and policies. These cover the principal areas of perceived risk including: financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit and liquidity risk.

Group trading forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should continue to generate positive cash flows for the foreseeable future. Current and projected results suggest that no net overdraft borrowing will be required on a Group basis.

The Group has considerable financial resources, well structured term facilities, and trading assets located across different geographic areas. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### 2.5 Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life.

The estimated useful lives range as follows:

Goodwill	-	5% straight line
Negative goodwill	-	2% straight line

## **Notes to the Financial Statements**

**For the Period Ended 29 January 2017**

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

#### **2.6 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- freehold land and core buildings are not depreciated; non core buildings 2% straight line per annum
Long-term Leasehold property	- over the term of the lease
Plant & machinery	- 10% straight line per annum
Fixtures & fittings	- 10 - 25% straight line per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

#### **2.7 Operating leases: the group as lessee**

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight line basis over the lease term.

#### **2.8 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

#### **2.9 Stocks**

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stock.

#### **2.10 Debtors**

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

## Notes to the Financial Statements

For the Period Ended 29 January 2017

### 2. Accounting policies (continued)

#### 2.11 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.

#### 2.12 Financial instruments

The Group enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

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, such as 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 date of the Statement of Financial Position.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position 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.

The Group has entered into interest rate swaps which are being designated as non-basic financial instruments. These derivative instruments are valued at fair value at the Statement of Financial Position date. If the derivative has been designated as a hedging instrument, hedge accounting has been applied. Where hedge accounting has not been applied the derivative instrument has been valued at fair value with any changes in the fair value of the instrument being recognised in the statement of comprehensive income for the period.



# Notes to the Financial Statements

For the Period Ended 29 January 2017

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

### **2.13 Pensions**

The Group operates defined contribution pension schemes and the pension charge represents the amounts payable by the Group to the funds in respect of the period.

### **2.14 Creditors**

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

### **2.15 Hedge accounting**

The Group has entered into variable to fixed rate interest swaps to manage its exposure to interest rate cash flow risk on its variable rate debt. These derivatives are measured at fair value at each balance sheet date. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the period.

### **2.16 Finance costs**

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

### **2.17 Dividends**

Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders.

### **2.18 Leased assets: the group as lessee**

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Consolidated statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

### **2.19 Holiday pay accrual**

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of financial position date.

## **Notes to the Financial Statements**

**For the Period Ended 29 January 2017**

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

#### **2.20 Provisions for liabilities**

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated statement of comprehensive income in the year that the group becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

#### **2.21 Current and deferred taxation**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rate enacted or substantially enacted at the date of the Statement of Financial Position.

# Notes to the Financial Statements

For the Period Ended 29 January 2017

## 3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### Key sources of estimation uncertainty

The carrying amounts of the vast majority of assets and liabilities are factual or can be supported by information available from other sources. The directors conclude therefore that a very low level of risk due to estimation uncertainty exists. The directors feel it prudent however to detail below the areas where the potential for an adjustment to a future financial period may arise.

#### *Useful economic lives of property, plant and equipment*

The annual depreciation charge for property, plant and equipment will vary in line with changes to the estimates of useful economic lives and where appropriate residual values of the assets. The useful economic lives and residual values are assessed at each Statement of Financial Position date. They are amended when necessary to reflect current estimates, based on technological advancement, future investment plans, economic utilisation and the physical condition of the assets.

#### *Financial instruments*

Certain subsidiary companies utilise variable to fixed rate interest swaps in the management of interest rate risk as detailed in note 2.15 to these accounts. The directors have fully reviewed the documented terms of these instruments and the related hedged items and have concluded that hedge accounting should apply. The effectiveness of these hedge will be continually monitored and hedge accounting discontinued should a hedge cease to be effective.

## 4. Turnover

An analysis of turnover by class of business is as follows:

	2017 £000	2016 £000
United Kingdom	13,912	16,020

All turnover relates to one class of business.

# Notes to the Financial Statements

For the Period Ended 29 January 2017

## 5. Operating profit

The operating profit is stated after charging:

	2017	2016
	£000	£000
Depreciation of tangible fixed assets	1,186	1,203
Amortisation of intangible assets, including goodwill	10	7
Defined contribution pension cost	22	78
	<u>1,218</u>	<u>1,288</u>

## 6. Auditor's remuneration

	2017	2016
	£000	£000
Fees payable to the group's auditor and its associates for the audit of the group's annual accounts	29	27
	<u>29</u>	<u>27</u>

### Fees payable to the group's auditor and its associates in respect of:

Fees payable to the group's auditor in respect of other accounting services	5	5
	<u>5</u>	<u>5</u>

## 7. Employees

Staff costs were as follows:

	2017	2016
	£000	£000
Wages and salaries	4,789	4,867
Social security costs	242	350
Cost of defined contribution scheme	22	78
	<u>5,053</u>	<u>5,295</u>

The average monthly number of employees, including the directors, during the period was as follows:

	2017	2016
	No.	No.
Number of corporate office staff	14	14
Number of hotel staff and management	255	273
	<u>269</u>	<u>287</u>

# Notes to the Financial Statements

For the Period Ended 29 January 2017

## 8. Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	427	477
Company contributions to defined contribution pension schemes	9	11
	<u>436</u>	<u>488</u>

During the period retirement benefits were accruing to 4 directors (2016 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £166k (2016 - £168k).

## 9. Interest receivable

	2017 £000	2016 £000
Other interest receivable	<u>4</u>	<u>7</u>

## 10. Interest payable and similar charges

	2017 £000	2016 £000
Bank interest payable	<u>616</u>	<u>744</u>

## 11. Taxation

	2017 £000	2016 £000
<b>Corporation tax</b>		
Current tax on profits for the year	347	544
<b>Total current tax</b>	<u>347</u>	<u>544</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(76)	42
<b>Total deferred tax</b>	<u>(76)</u>	<u>42</u>
<b>Taxation on profit on ordinary activities</b>	<u>271</u>	<u>586</u>

# Notes to the Financial Statements

For the Period Ended 29 January 2017

## 11. Taxation (continued)

### Factors affecting tax charge for the period

The tax assessed for the period is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 20% (2016 - 20.18%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	<u>1,349</u>	<u>2,694</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20.18%)	270	543
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2	19
Fixed asset differences	66	-
Rate differences	(95)	1
Adjustments to tax charge in respect of prior periods	1	-
Adjustments to tax charge in respect of prior periods - deferred tax	27	-
Non-qualifying depreciation	-	23
<b>Total tax charge for the period</b>	<u>271</u>	<u>586</u>

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £(26)k (2016 - £(18)k).

### Factors that may affect future tax charges

The rate of UK corporation tax will decrease to 19% for years starting 1 April 2017, 2018 and 2019 and reduce further to 18% from 1 April 2020. At the Budget 2016, the government announced a further reduction to the Corporation Tax rate for the year starting 1 April 2020, reducing the rate from 18% to 17%.

## 12. Dividends

	29 January 2017 £000	31 January 2016 £000
Ordinary shares	<u>524</u>	<u>4,225</u>

# Notes to the Financial Statements

For the Period Ended 29 January 2017

## 13. Intangible assets

### Group and Company

	Positive goodwill £000	Negative goodwill £000	Total £000
<b>Cost</b>			
At 1 February 2016	375	(467)	(92)
At 29 January 2017	375	(467)	(92)
<b>Amortisation</b>			
At 1 February 2016	211	(76)	135
Charge for the year	18	(8)	10
At 29 January 2017	229	(84)	145
<b>Net book value</b>			
At 29 January 2017	146	(383)	(237)
At 31 January 2016	164	(391)	(227)

Negative goodwill is in respect of the past purchase of minority interests in Hotel Property Fund (Syndicate 1) Limited. It is being amortised over 50 years, in line with the significant underlying assets of the subsidiary.

# Notes to the Financial Statements

For the Period Ended 29 January 2017

## 14. Tangible fixed assets

### Group

	Freehold property £000	Long-term Leasehold property £000	Plant & machinery £000	Fixtures & fittings £000	Total £000
<b>Cost or valuation</b>					
At 1 February 2016	15,964	4,872	950	13,576	35,362
Additions	-	-	35	949	984
Disposals	-	-	-	(957)	(957)
At 29 January 2017	15,964	4,872	985	13,568	35,389
<b>Depreciation</b>					
At 1 February 2016	424	956	927	6,508	8,815
Charge for the period on owned assets	46	66	12	1,062	1,186
Disposals	-	-	-	(898)	(898)
At 29 January 2017	470	1,022	939	6,672	9,103
<b>Net book value</b>					
At 29 January 2017	15,494	3,850	46	6,896	26,286
At 31 January 2016	15,540	3,916	23	7,068	26,547

Included within the net book value of £26 million is interest incurred during the purchase and refurbishment of properties amounting to £106k (2016 - £106k).

In line with independent valuations carried out between 2010 and 2013, the market value of the portfolio of assets continues to be materially in excess of the carrying value in the financial statements.



Notes to the Financial Statements  
For the Period Ended 29 January 2017

15. Fixed asset investments

Company

**Cost or valuation**

At 1 February 2016

At 29 January 2017

**Net book value**

At 29 January 2017

At 31 January 2016

Investments  
in subsidiary  
companies  
£000

4,031

4,031

4,031

4,031

# Notes to the Financial Statements

**For the Period Ended 29 January 2017**

## 16. Subsidiary undertakings

The dormant subsidiaries listed below are exempt from the requirements to prepare individual accounts under section 394A of the Companies Act 2006 for the period ended 29 January 2017. The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity</b>
Huntingtower Hotel (Perth) Limited	Ordinary shares	100 %	Hoteliers
Speedbird Developments Limited	Ordinary shares	100 %	Hoteliers
Lauriston Hotels Limited	Ordinary shares	100 %	Hoteliers
Hotel Property Fund (Syndicate 1) Limited	Ordinary shares	100 %	Hoteliers
Hotel Property Fund (Syndicate 2) Limited	Ordinary shares	100 %	Hoteliers
Portland Hotel Management Limited	Ordinary shares	100 %	Hotel Management
Portland Hotels Limited	Ordinary shares	100 %	Dormant
Portland Facilities Management Limited	Ordinary shares	100 %	Dormant
PCPB LLP	Registered members	100 %	Dormant
Hotel Property Fund (Syndicate 3) Limited	Ordinary shares	100 %	Dormant
Hotel Property Fund (Syndicate 4) Limited	Ordinary shares	100 %	Dormant
Hotel Property Fund (Syndicate 5) Limited	Ordinary shares	100 %	Dormant
Hotel Property Fund (Syndicate 6) Limited	Ordinary shares	100 %	Dormant
Hotel Property Fund (Syndicate 7) Limited	Ordinary shares	100 %	Dormant
Hotel Property Fund (Syndicate 8) Limited	Ordinary shares	100 %	Dormant
Hotel Property Fund (Syndicate 9) Limited	Ordinary shares	100 %	Dormant
Hotel Property Fund (Syndicate 10) Limited	Ordinary shares	100 %	Dormant

# Notes to the Financial Statements

For the Period Ended 29 January 2017

## 17. Stocks

	<b>Group</b> <b>29 January</b> <b>2017</b> <b>£000</b>	<b>Group</b> <b>31 January</b> <b>2016</b> <b>£000</b>	<b>Company</b> <b>29 January</b> <b>2017</b> <b>£000</b>	<b>Company</b> <b>31 January</b> <b>2016</b> <b>£000</b>
Goods for resale	68	65	-	-

The value of goods purchased for resale and recognised in cost of sales during the period as an expense was £1,222k (2016 - £1,318k).

## 18. Debtors

	<b>Group</b> <b>29 January</b> <b>2017</b> <b>£000</b>	<b>Group</b> <b>31 January</b> <b>2016</b> <b>£000</b>	<b>Company</b> <b>29 January</b> <b>2017</b> <b>£000</b>	<b>Company</b> <b>31 January</b> <b>2016</b> <b>£000</b>
Trade debtors	354	556	-	-
Other debtors	-	15	-	-
Prepayments and accrued income	340	297	-	-
	<b>694</b>	<b>868</b>	<b>-</b>	<b>-</b>

## 19. Cash and cash equivalents

	<b>Group</b> <b>29 January</b> <b>2017</b> <b>£000</b>	<b>Group</b> <b>31 January</b> <b>2016</b> <b>£000</b>	<b>Company</b> <b>29 January</b> <b>2017</b> <b>£000</b>	<b>Company</b> <b>31 January</b> <b>2016</b> <b>£000</b>
Cash at bank and in hand	3,527	2,794	-	-

# Notes to the Financial Statements

For the Period Ended 29 January 2017

## 20. Creditors: Amounts falling due within one year

	Group 29 January 2017 £000	Group 31 January 2016 £000	Company 29 January 2017 £000	Company 31 January 2016 £000
Bank loans	386	391	-	-
Trade creditors	541	399	-	-
Amounts owed to group undertakings	-	-	4,030	4,030
Corporation tax	236	288	-	-
Other taxation and social security	239	153	-	-
Other creditors	985	754	-	-
Accruals and deferred income	681	834	-	-
Financial instruments	-	76	-	-
	<u>3,068</u>	<u>2,895</u>	<u>4,030</u>	<u>4,030</u>

# Notes to the Financial Statements

For the Period Ended 29 January 2017

## 21. Creditors: Amounts falling due after more than one year

	Group 29 January 2017 £000	Group 31 January 2016 £000	Company 29 January 2017 £000	Company 31 January 2016 £000
Bank loans	23,369	23,757	-	-
Other creditors	23	-	-	-
Financial instruments (after 1 yr)	988	975	-	-
	<b>24,380</b>	<b>24,732</b>	<b>-</b>	<b>-</b>

Hotel Property Fund (Syndicate 1) Limited, Hotel Property Fund (Syndicate 2) Limited, Speedbird Developments Limited and Huntingtower Hotel (Perth) Limited have granted a bond and floating charge over their assets in favour of the Bank of Scotland. These companies have also granted a standard security over their property to secure the borrowings of these fellow subsidiaries.

Lauriston Hotels Limited has granted a standard security in favour of the Allied Irish Bank (GB) over its freehold property and a bond and floating charge over the whole assets of that company.

The principal terms of the bank loans can be summarised as follows:

The group's primary facilities provided by Bank of Scotland amounting to £21.8m (2016 - £22.1m), which mature during December 2021, and bear interest at an overall rate of base rate plus 1%. In addition, interest swap and ladder swap arrangements were put in place to protect against interest rate movements on £12m (2016 - £10.3m) of term debt. Capital repayments during the period amounted to £262k (2016 - £260k).

Allied Irish Bank (GB) provide term facilities amounting to £1.9m to Lauriston Hotels Limited, which mature during March 2019, and bear an interest rate of 3m LIBOR plus 2.8%. Capital repayments during the period amounted to £127k (2016 - £123k).

One of the Group's subsidiaries, Hotel Property Fund (Syndicate 1) Limited has an interest rate swap agreement with a fixed rate of 2.14% in place to protect against interest rate movements on £5m of term debt. The interest swap agreement has been fair valued at £(354k) at 29 January 2017 (2016: £(368k)). The value of this instrument in the Statement of Financial Position is £(354k) (2016: £(368k)). This instrument has been designated as a hedging instrument in a cash flow hedge.

Another subsidiary, Hotel Property Fund (Syndicate 2) Limited has an interest swap agreement, which commenced in June 2016. The interest swap agreement has been fair valued at £(634)k at 29 January 2017 (2016 - £(607)k). The Statement of Financial Position value of this instrument is £(634)k (2016 - £(607)k). This instrument has been designated as a hedging instrument in a cash flow hedge.

During the period, the same subsidiary had a ladder swap agreement which was put in place to protect against rate movements on the company's bank debt, which expired in May 2016. This was fair valued at 31 January 2016 at £(76k) and held on the Statement of Financial Position. The movement in the fair value has been recognised in the Statement of comprehensive income for the period.

## Notes to the Financial Statements

For the Period Ended 29 January 2017

**22. Loans**

Analysis of the maturity of loans is given below:

	<b>Group</b> <b>29 January</b> <b>2017</b> <b>£000</b>	<b>Group</b> <b>31 January</b> <b>2016</b> <b>£000</b>	<b>Company</b> <b>29 January</b> <b>2017</b> <b>£000</b>	<b>Company</b> <b>31 January</b> <b>2016</b> <b>£000</b>
<b>Amounts falling due within one year</b>				
Bank loans	386	391	-	-
	<u>386</u>	<u>391</u>	<u>-</u>	<u>-</u>
<b>Amounts falling due 1-2 years</b>				
Bank loans	399	398	-	-
	<u>399</u>	<u>398</u>	<u>-</u>	<u>-</u>
<b>Amounts falling due 2-5 years</b>				
Bank loans	1,234	1,241	-	-
	<u>1,234</u>	<u>1,241</u>	<u>-</u>	<u>-</u>
<b>Amounts falling due after more than 5 years</b>				
Bank loans	21,736	22,118	-	-
	<u>21,736</u>	<u>22,118</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u><u>23,755</u></u>	<u><u>24,148</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

# Notes to the Financial Statements

For the Period Ended 29 January 2017

## 23. Capital repayment of loans

The capital repayment of the loans held by the Group and company is analysed below:

	29 January 2017 £000	31 January 2016 £000
<b>Wholly repayable within 5 years</b>		
Repayable by installments	2,018	2,030
Repayable other than by installments	-	-
	<u>2,018</u>	<u>2,030</u>
<b>Wholly repayable more than 5 years</b>		
Repayable by installments	1,266	1,748
Repayable other than by installments	20,470	20,370
	<u>21,736</u>	<u>22,118</u>

## Notes to the Financial Statements

For the Period Ended 29 January 2017

**24. Financial instruments**

	Group 29 January 2017 £000	Group 31 January 2016 £000	Company 29 January 2017 £000	Company 31 January 2016 £000
<b>Financial assets</b>				
Financial assets measured at fair value through profit or loss	-	-	-	-
Financial assets that are measured at amortised cost	354	571	-	-
	<u>354</u>	<u>571</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>				
Derivative financial instruments designated as hedges of variable interest rate risk	(988)	(975)	-	-
Financial liabilities measured at amortised cost	(25,985)	(25,457)	(4,030)	(4,030)
	<u>(26,973)</u>	<u>(26,432)</u>	<u>(4,030)</u>	<u>(4,030)</u>

Financial assets measured at amortised cost comprise of trade, intercompany and other debtors.

Financial liabilities measured at amortised cost for the Group comprise of loans, trade creditors and accruals and deferred income. In the company they comprise amounts owed to group undertakings.

Derivative financial instruments designated as hedges of variable interest rate risk comprise the fair value of interest rate swaps held at year end. The balance above comprises of two interest rate swaps valued at a total of £(988)k (2016 - £(975)k). The interest rate swaps have been designated as hedging instruments in a cash flow hedge with movements being recognised in other comprehensive income. The movement in fair value recognised in other comprehensive income in the period was £(13k) (2016 - £88k). These instruments have been entered into in order to hedge against the risk of variable interest rate movements on the company's variable rate loans.

**25. Deferred taxation****Group**

	2017 £000
At beginning of year	(413)
Charged to the profit or loss	76
Charged to other comprehensive income	(27)
<b>At end of year</b>	<u><u>(364)</u></u>



# Notes to the Financial Statements

For the Period Ended 29 January 2017

## 25. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	Group 29 January 2017 £000	Group 31 January 2016 £000
Accelerated capital allowances	(547)	(623)
Deferred tax recognised on hedge	183	210
	<u>(364)</u>	<u>(413)</u>

## 26. Reserves

### Profit & loss account

The balance held on this reserve is the accumulated retained profits of the Group.

### Cash flow hedges

This reserve records the portion of the gain or loss net of deferred tax charges on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

### Share capital

The balance on the share capital account represents the aggregate nominal value of all ordinary and preference shares in issue.

### Capital redemption reserve

The balance held on this reserve represents the nominal value of preference shares of a subsidiary company redeemed during 2001.

### Revaluation reserve

The balance held on this reserve was created during 2001 following the valuation of property in subsidiary companies in that year.

## 27. Share capital

	29 January 2017 £000	31 January 2016 £000
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
1,000 Called-up equity share capital shares of £1 each	1	1

The authorised, called up and fully paid shares comprised of 500 "A" Ordinary Shares of £1 each (2016 - 500) and 500 "B" Ordinary Shares of £1 each (2016 - 500).

## 28. Minority interests

This represents the shareholding of minority interests in subsidiaries together with their share of the profits

# Notes to the Financial Statements

For the Period Ended 29 January 2017

or losses of those subsidiaries.

## 29. Contingent liabilities

Speedbird Developments Limited, Huntingtower Hotel (Perth) Limited, Hotel Property Fund (Syndicate 1) Limited and Hotel Property Fund (Syndicate 2) Limited have entered into all sums cross guarantees in respect of the indebtedness to Bank of Scotland of Speedbird Developments Limited, Huntingtower Hotel (Perth) Limited, Hotel Property Fund (Syndicate 1) Limited and Hotel Property Fund (Syndicate 2) Limited. The total indebtedness at 29 January 2017 with the Bank of Scotland was £18.8 million (2016 - £19.7 million).

## 30. Capital commitments

As at the end of the period the group had contracted for but not provided in the financial statements for an amount of £2.8k (2016 - £179k).

## 31. Operating lease commitments

At 29 January 2017 the group and the company had total future minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings 29 January 2017 £000	Other 29 January 2017 £000	Land and buildings 31 January 2016 £000	Other 31 January 2016 £000
<b>Expiry date:</b>				
No later than 1 year	378	-	378	6
Between 2 and 5 years	1,512	-	1,512	-
After more than 5 years	22,302	-	22,680	-
	<u>24,192</u>	<u>-</u>	<u>24,570</u>	<u>6</u>

Rentals paid in the period under the operating lease for land and buildings amounted to £408k (2016 - £644k). This lease is currently due to expire during December 2081.

## **Notes to the Financial Statements**

**For the Period Ended 29 January 2017**

### **32. Related party transactions**

During the period a subsidiary charged Piersland House Hotel Company Limited fees for marketing support amounting to £8k (2016 - £11k). The group continues to have no involvement or participation other than the provision of marketing support and accordingly has no executive, management or operational control over this entity. The entity was under the control of Mr J A Brown, a director of Etchecan Limited. At 29 January 2017 the subsidiary company was owed £2k (2016 - £2k) by Piersland House Hotel Company Limited.

The group has taken advantage of exemptions allowed under FRS 102 Section 33.1A enabling it not to report related party transactions between wholly owned subsidiaries.

One of the group's subsidiaries, Hotel Property Fund (Syndicate 1) Limited, was owed £1,727k by other companies within the group at 29 January 2017 (2016 - £1,738k). The subsidiary owed £92k to other companies within the group at 29 January 2017 (2016 - £12k). During the period, the subsidiary paid £235k (2016 - £235k) to a fellow subsidiary in respect of management services provided to it during the period, and received rent of £15k (2016 - £15k) from the same subsidiary.

Another of the group's subsidiaries, Hotel Property Fund (Syndicate 2) Limited, was owed £1,013k by other group companies at 29 January 2017 (2016 - £860k). The subsidiary owed £28k (2016 - £102k) to other companies within the group at 29 January 2017. During the period, the subsidiary paid £246k (2016 - £333k) to a fellow subsidiary in respect of management services provided to it during the period.

During the period, payments for services made to key members of personnel amounted to £493k (2016 - £545k).

### **33. Post Statement of Financial Position events**

The freehold interest in area of land, formerly leased and forming part of the property footprint was purchased post year end at a cost of £195k.