Capital Hill Hotels Group Europe Limited

Annual report and financial statements

31 December 2015

Annual report and financial statements

for the year ended 31 December 2015

Directors and advisers

Directors
Z E Guiziri
J A Thani
F Bakhos
K Cooper

Registered office
50 Berners Street
London W1T 3NG

Registered auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Strategic report

Principal activity

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

Review of the business

The hotel market in London continues to expand its room supply and ADR performance remains under pressure. The results in this financial year were, affected by the continued refurbishment of guest rooms with out of order rooms at St Martins Lane representing 5,593 room nights. This represents 7.5% of total available rooms for the year. During the first 4 month of the year also the food and beverage and public areas were under renovation affecting restaurant, bar and banquet spaces.

Sanderson reflects an uninterrupted financial year with full trading capacity.

In the year under review, the reduced capacity at St Martins Lane for rooms and food and beverage resulted in total hotel revenue below the also renovation affected prior year by a combined £2.0m/6.1%.

Gross Operating Profit decreased by a combined 7.5% (£1.6m) through the revenue shortfall in relation to the refurbishment projects.

Principal risk and uncertainties

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

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

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

Key performance indicators

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

In the year under review the combined Occupancy for the hotels was 78.5% (2014 – 65.7%), the ARR achieved was £240.92 (2014 – £244.93). RevPar (the product of ARR and Occupancy) during the period under review was £189.15 (2014 – £160.81), which represents a year-on-year increase of 17.6%.

Strategic report

Principal risk and uncertainties (continued)

Key performance indicators (continued)

Taking the St Martins Lane refurbishment with 5,593 out of order room nights into consideration, the year under review had an adjusted occupancy of 82.1% (2014 – 83.3%) and the ARR achieved at £240.92 (2014 – £244.93) resulting in RevPar (the product of ARR and Occupancy) achieved at £197.70 (2014 – £203.92). This represents a year-on-year decrease of 3.1%.

On behalf of the board

Z E Guiziri
Director

20 January 2017

Registered No. 3203996

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 December 2015. The company is registered in England and Wales (company number 3203996).

Disclosures required by section 416(4) of the Act which have been included in the Strategic Report on pages 2 and 3 as required by section 414C(11) of the Act include:

- Principal activity;
- Review of the business; and
- Principal risks and uncertainties

The directors present their report and financial statements for the year ended 31 December 2015.

Results and dividends

The results of the year are set out in the accompanying Income Statement which shows profit after tax for the year ended 31 December 2015 of £152,000 (2014 – loss after tax of £ 455,000).

The Directors do not recommend the payment of a dividend for the year ended 31 December 2015 (2014 – £nil).

Employee involvement

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

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

Financial instruments

The company had a loan facility for £119,500,000 (gross of unamortised issue costs). In August 2015 the bank loan was repaid via new funding from the Capital Hill Hotels Limited.

Directors and their interests

The directors who served during the year ended 31 December 2015 and up to the date of this report are as follows:

Z E Guiziri
J A Thani
F Bakhos
K Cooper

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

Directors' report

Future developments

The Directors anticipate that the activity of the Company will continue for the foreseeable future.

Events since the statement of financial position date

There have been no significant events since the statement of financial position date other than that disclosed in note 13 to the financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards as adopted by the European have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

Note 1 sets out the basis upon which the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Directors' report

Disclosure of information to the auditor

Each of the persons who are a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Ernst & Young LLP have expressed their willingness to continue in office as auditor. The board has noted the same and appropriate arrangements will be made in this regard.

Approved by the board of directors and signed on behalf of the board

Z E Guiziri
Director
20 January 2017

Independent auditors' report

to the members of Capital Hill Hotels Group Europe Limited

We have audited the financial statements of Capital Hill Hotels Group Europe Limited for the year ended 31 December 2015 which comprise the Consolidated Income Statement, Consolidated Statement of Financial Position, Company Statement of Financial Position, and Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 Statement of Directors' Responsibilities 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report

to the members of Capital Hill Hotels Group Europe Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

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

25 January 2017

Consolidated income statement

for the year ended 31 December 2015

	Notes	2015 £000	2014 £000
Turnover		32,543	30,350
Cost of sales		(11,224)	(10,816)
Gross profit		21,319	19,534
Administrative expenses		(17,290)	(16,150)
Operating profit	5	4,029	3,384
Finance expense	6	(4,717)	(5,565)
Unrealised gain on derivatives	15	840	1,726
Profit/(loss) before taxation		152	(455)
Tax on profit/(loss)	7	–	–
Profit/(loss) for the financial year		152	(455)

There was no other Comprehensive Income in either year, therefore Total Comprehensive Income is represented by the Loss for the year.

Consolidated statement of financial position

at 31 December 2015

	Notes	2015 £000	2014 £000
Assets			
Non-current assets			
Property, plant & equipment	9	101,647	101,902
Current assets			
Stock	10	242	238
Trade and other receivables	12	2,425	23,234
Cash at bank and in hand		3,928	3,151
Total current assets		6,595	26,623
Total assets		108,242	128,525
Current liabilities			
Trade and other payables	13	(105,682)	(6,004)
Non-current liabilities			
Loans and borrowings	14	-	(117,227)
Derivative	15	-	(2,886)
		2,560	2,408
Equity			
Called up share capital	17	5,000	5,000
Share premium account		10,000	10,000
Other capital reserve		1,582	1,582
Profit and loss account		(14,022)	(14,174)
		2,560	2,408

The financial statements were approved by the board of directors and authorised for issue on 20 January 2017

Z E Guiziri
Director

Company statement of financial position

at 31 December 2015

	Notes	2015 £000	2014 £000
Assets			
Non-current assets			
Investment in subsidiary	11	35,000	35,000
Current assets			
Trade and other receivables	12	–	–
Cash at bank and in hand		30	30
Total current assets		30	30
Total assets		35,030	35,030
Current liabilities			
Trade and other payables	13	(12,659)	(12,659)
		22,371	22,371
Equity			
Called up share capital	17	5,000	5,000
Share premium account		10,000	10,000
Other capital reserve		1,582	1,582
Profit and loss account		5,789	5,789
		22,371	22,371

The financial statements were approved by the board of directors and authorised for issue on 20 January 2017

Z E Guiziri
Director

Consolidated statement of changes in equity

for the year ended 31 December 2015

	Called up share capital *£000*	*Share premium account* *£000*	*Other capital reserve* *£000*	*Profit and loss account* *£000*	*Total* *£000*
At 1 January 2014	5,000	10,000	1,582	(13,719)	2,863
(Loss) for the year	–	–	–	(455)	(455)
Other comprehensive income/(loss)	–	–	–	–	–
Total comprehensive (loss) for the year	–	–	–	(455)	(455)
At 31 December 2014	5,000	10,000	1,582	(14,174)	2,408
Profit/(loss) for the year	–	–	–	152	152
Other comprehensive income/(loss)	–	–	–	–	–
Total comprehensive income/(loss) for the year	–	–	–	152	152
At 31 December 2015	5,000	10,000	1,582	(14,022)	2,560

Company statement of changes in equity

for the year ended 31 December 2015

	Called up share capital £000	Share premium account £000	Other capital reserve £000	Profit and loss account £000	Total £000
At 1 January 2014	5,000	10,000	1,582	5,789	22,371
Profit/(loss) for the year	–	–	–	–	–
Other comprehensive income/(loss)	–	–	–	–	–
Total comprehensive income/(loss) for the year	–	–	–	–	–
At 31 December 2014	5,000	10,000	1,582	5,789	22,371
Profit/(loss) for the year	–	–	–	–	–
Other comprehensive income/(loss)	–	–	–	–	–
Total comprehensive income/(loss) for the year	–	–	–	–	–
At 31 December 2015	5,000	10,000	1,582	5,789	22,371

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Consolidated cash flow statement

for the year ended 31 December 2015

	2015	*2014*
	£000	*£000*
Operating activities		
Profit/(loss) before taxation	152	(455)
Adjustment to reconcile less tax to net cash flows	–	–
Depreciation	3,783	3,551
Finance expense	4,717	5,565
Unrealised gain on derivatives	(840)	(1,726)
	7,812	6,935
Working capital adjustments:		
(Increase) in inventory	(4)	(109)
(Increase) in receivables	20,810	(343)
(Decrease)/increase in payables	99,678	505
Net cash flow from operating activities	128,296	6,988
Investing activities		
Purchase of property, plant and equipment	(3,528)	(6,876)
Net cash flow from investing activities	(3,528)	(6,876)
Finance activities		
Proceeds from borrowings	–	–
Repayment of borrowings	(119,500)	(500)
Interest paid	(4,491)	(5,421)
Net cash flow from financing activities	(123,991)	(5,921)
Net increase/(decrease) in cash and cash equivalents	777	(5,809)
Cash and cash equivalents at the beginning of the year	3,151	8,960
Cash and cash equivalents at 31 December	3,928	3,151

The company incurred no cash flows during either years presented.

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Notes to the financial statements

at 31 December 2015

1. General information

Capital Hill Hotels Group Europe Limited is incorporated and domiciled in England and Wales. The principal activity of the company is to operate two five star hotels in central London – St Martin's Lane and Sanderson. The principal accounting policies adopted are set out in note 3.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as issued by the International Accounting Standards Board.

For all periods up to and including the year ended 31 December 2014, the directors prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). These financial statements for the year ended 31 December 2015 are the first that have been prepared in accordance with IFRS.

In preparing these financial statements the Company's opening statement of financial position was prepared as at 1 January 2014, the date of transition to IFRS. An explanation of transition to IFRS has affected the reported financial position and financial performance is given in note 19.

The financial statements are presented in British Pounds.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. No exemptions were taken as a result of the transition to IFRS.

Going concern

The company is dependent on funds provided to it by other group entities. In the balance sheet at 31 December 2015 an amount of £100m due to the parent is presented as a current liability. However, in November 2016 the repayment date of the loan was revised to 2020. See note 13.

Having considered this and the forecast cash flows and risks faced by the company, the Directors believe that this will enable the company to continue in operational existence for the foreseeable future and meet its liabilities as they fall due for payment.

Consequently, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Notes to the financial statements

at 31 December 2015

3. Principal accounting policies

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of the issuance of the financial statements and that may impact the company's financial statements are disclosed below. The company intends to adopt these standards, if applicable, when they become effective.

		Effective for periods commencing on or after
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from contracts	1 January 2018
IFRS 16	Leases	1 January 2019

The directors are currently considering the impact on the financial statements in the period of initial application.

Basis of consolidation

The consolidated financial statements include financial statements of the company and its subsidiary undertaking made up to 31 December 2015.

Revenue

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

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

Investments

Investments are stated at cost less provision for impairment.

Where there are indicators of impairment of investments in subsidiaries which indicate that the carrying value may not be recoverable, the Group performs impairment tests on these investments by comparing the carrying value with its recoverable amount; being the higher of its fair value less costs to sell and its value in use.

Property, plant & equipment

Property, plant & equipment are stated at cost less depreciation and any provision for impairment. Assets are depreciated to their residual values on a straight line basis over their estimated useful lives as follows:

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

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

Freehold land, freehold and long leasehold buildings and building surface finishes are all held as land and buildings within note 9.

No depreciation is provided for assets under construction in progress until the asset is placed into use.

Notes to the financial statements

at 31 December 2015

3. Principal accounting policies

Deferred taxation

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are generally recognised for all taxable temporary differences

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are generally recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Loans and borrowings

Loans and borrowing are recognised initially at fair value net of directly attributable transaction costs. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Inventory

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

Pension scheme

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

Derivative instruments & hedging

The Company used derivative financial instruments in the form of interest rate swaps to reduce its exposure to interest rate fluctuations on the floating rate bank loan. The Company has determined that its interest rate swap does not qualify for hedge accounting under IFRS. Accordingly, such derivative instruments are initially recognised at fair value on the date in which the derivative is entered into and subsequently re-measured at fair value on the balance sheet and changes to the fair value are recorded in profit or loss.

Significant accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The significant estimates and assumptions in determining the financial condition and results of the company are as follows:

Estimates

- The depreciable lives of property, plant & equipment

Judgements

- The recoverability of any recognised deferred taxation assets

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Notes to the financial statements

at 31 December 2015

4. Staff numbers and costs

	2015	2014
	No.	No.
The average number of employees in the year was:		
Hotel operating staff	207	246
Management/administration	28	25
Sales and marketing	15	14
Maintenance	11	17
Total	261	302

The aggregate payroll costs for these persons were as follows:

	2015	2014
	£000	£000
Wages and salaries	8,605	8,394
Social security costs	664	720
Pension costs	106	119
	9,375	9,233

The directors were paid by a parent entity for their services to the wider group. It is not practical to allocate an amount for their services to this company alone.

The directors represent key management personnel.

Funded defined contribution scheme for employees (group scheme)

Pension costs of £106,000 (2014 – £119,000) were charged to the profit and loss account of which £nil (2014 – £nil) was outstanding at the balance sheet date.

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

5. Operating profit

This is arrived at after charging:

	2015	2014
	£000	£000
Auditors' remuneration:		
– Group – audit	65	63
– Company – audit	10	10
Depreciation of property, plant & equipment	3,783	3,551

Notes to the financial statements

at 31 December 2015

6. Finance expense

	2015	*2014*
	£000	*£000*
Interest on loans	4,438	5,421
Amortisation of issue costs	272	144
Bank loan break costs	7	–
	4,717	5,565

7. Taxation

(a) Analysis of tax charge in the year

	2015	*2014*
	£000	*£000*
Current tax:		
Current tax on profits for the year	–	–
Total current tax	–	–
Deferred tax:		
Current year	557	–
Adjustment in respect of previous periods	359	–
Effects of changes in tax rates	(214)	–
Total deferred tax (note 16)	702	–

(b) Factors affecting total tax charge for the year

	2015	*2014*
	£000	*£000*
Profit/(loss) before tax	152	(455)
Tax on profit at standard UK tax rate of 20.25% (2014 – 21.49%)	31	(98)
Effects of:		
Adjustments in respect of prior years	359	–
Expenses not deductible	526	476
Losses	–	539
Tax rate changes	(214)	–
Amounts not recognised	–	(545)
Income not taxed in the current year	–	(372)
Tax charge for the period	702	–

8. Company profit for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit & loss account in these financial statements.

The profit for the year is £nil (2014 – £nil).

Notes to the financial statements

at 31 December 2015

9. Property, plant & equipment – Group

	Land and buildings	*Plant and machinery*	*Fixtures, fittings and equipment*	*Construction In Progress*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Cost					
At 1 January 2015	102,346	12,827	22,993	3,222	141,388
Additions	30	437	193	2,868	3,528
Transfer	–	–	6,090	(6,090)	–
At 31 December 2015	102,376	13,264	29,276	–	144,916
Depreciation					
At 1 January 2015	15,479	10,003	14,004	–	39,486
Charge for the year	1,129	1,170	1,484	–	3,783
At 31 December 2015	16,608	11,173	15,488	–	43,269
Net book amount at 31 December 2015	85,768	2,091	13,788	–	101,647
Cost					
At 1 January 2014	102,346	12,733	16,211	3,222	134,512
Additions	–	94	935	5,847	6,876
Transfer	–	–	5,847	(5,847)	–
At 31 December 2014	102,346	12,827	22,993	3,222	141,388
Depreciation					
At 1 January 2014	14,351	8,823	12,761	–	35,935
Charge for the year	1,128	1,180	1,243	–	3,551
At 31 December 2014	15,479	10,003	14,004	–	39,486
Net book amount at 31 December 2014	86,867	2,824	8,989	3,222	101,902

Included in total net book value of land and buildings is £35,043,000 (2014 – £35,907,000) of long leasehold property. All property, plant and equipment of the group are held by the subsidiary undertaking, Capital Hill Hotels Group London Limited.

10. Inventory

	Group 2015	*Group 2014*
	£000	*£000*
Food and beverage	242	238

Notes to the financial statements

at 31 December 2015

11. Investment in subsidiary

	Company £000	Company £000
At 1 January 2015 and 31 December 2015	35,000	35,000

The company owns 100% of the ordinary shares of Capital Hill Hotels Group London Limited, a company incorporated in England and Wales, whose principal activity is the operation of two hotels in London.

12. Trade and other receivables

	Group 2015 £000	Company 2015 £000	Group 2014 £000	Company 2014 £000
Trade receivables	957	–	952	–
Amounts due from parent undertaking	448	–	21,294	–
Prepayments	1,020	–	988	–
	2,425	–	23,234	–

13. Trade and other payables

	Group 2015 £000	Company 2015 £000	Group 2014 £000	Company 2014 £000
Bank loans	–	–	2,000	–
Trade payables	1,070	–	765	–
Amounts due to group undertakings and related parties	101,563	12,659	494	12,659
Taxation and social security	1,171	–	966	–
Accruals and deferred income	1,829	–	1,720	–
Other payables	49	–	17	–
Corporation tax	–	–	42	–
	105,682	12,659	6,004	12,659

Included with amounts due to group undertakings is an amount of £101,020 due to the parent company. In November 2016 it was agreed between the parties that the amount would not be repayable until 2020.

Notes to the financial statements

at 31 December 2015

14. Interest bearing loans and borrowings

	Group 2015 £000	Group 2014 £000
Bank loans	–	117,227

Bank loans are repayable as follows:

	2015 £000	2014 £000
In one year or less, or on demand	–	2,000
In more than one year, but not more than two years	–	117,500
In more than two years, but not more than five years	–	–
	–	119,500

Bank loans are as follows:

	2015 £000	2014 £000
Sterling bank loans: libor plus 2.5%	–	119,500
	–	119,500

In August 2015 the bank loan was repaid via new funding from the Capital Hill Hotels Limited.

The directors consider that the carrying value of the loan approximated to fair value.

Notes to the financial statements

at 31 December 2015

15. Derivatives

The Company had entered into an interest cap agreement with the previous lender, Aareal Bank AG, for a notional amount of the outstanding loan whereby it capped its interest rate risk at 2.015%. The cap is used to hedge the exposure to the variable interest rate on the loan borrowings.

The fair value of the derivative instruments was determined using widely accepted valuation techniques including discounted cash flow analysis based on the contractual terms of the derivatives using the period of maturity of each instrument and observable market-based inputs, which include interest rate curves and implied volatilities. In addition, the Company considers counterparty risk of non-performance in determining the fair value of its derivative instruments by estimating the current and potential future exposure under the derivative instruments. The counterparty risk did not comprise a material portion of the fair value of the derivative instruments. Therefore, the fair values determined are considered to be based on significant other observable inputs (Level 2).

	2015	*2014*
	£000	*£000*
At beginning of period	(2,886)	(4,612)
Fair value adjustment	840	1,726
Derivative settlement costs	2,046	–
At 31 December	–	(2,886)

Notes to the financial statements

at 31 December 2015

16. Deferred taxation

(a) Deferred tax note

	2015 £000	2014 £000
Provision at the start of the year	1,477	1,543
Adjustment in respect of prior years	359	(104)
Deferred tax charge to the income statement	343	38
Provision at the end of the year	2,179	1,477

(b) Analysis of deferred tax balance

	2015 £000	2014 £000
Fixed assets	3,109	3,491
Temporary differences trading	(6)	(5)
Temporary differences non-trading	–	(2,009)
Losses	(1,204)	–
IFRS swap adjustment	280	–
Provision at the end of the year	2,179	1,477

The standard rate of corporation tax in the UK was changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's profits for the accounting period are taxed at an effective rate of 20.25% (2014 – 21.5%).

The corporation tax rate will reduce to 19% from 1 April 2017, and 18% from 1 April 2020. As these future tax reductions have been enacted at the 31 December 2015, in accordance with accounting standards, the effect has either been reflected or disclosed in the company's financial statements at 31 December 2015. A further amendment was proposed in the March 2016 budget to reduce the corporation tax rate to 17% from 1 April 2020. The effect of the company of the further proposed reduction will be reflected in the company's financial statements in future years, as appropriate, once the proposal has been substantively enacted. The rate changes will impact the amount of future tax payments made by the company.

The group has unrecognised deferred tax asset of £nil (2014 – £nil) related to the fair value of the derivative. It is unrecognised due to uncertainty about their realisation.

The rate changes will impact the amount of any future tax payments made by the group.

The group has losses carried forward of £10m (2014 – £10m) which includes the losses offset against the deferred taxation liabilities set out above.

Notes to the financial statements

at 31 December 2015

17. Called up share capital

	31 December 2015 £000	31 December 2014 £000
Authorised		
1,000 ordinary shares of £1 each	1	1
2,499,999 A ordinary shares of £1 each	2,500	2,500
2,499,999 B ordinary shares of £1 each	2,500	2,500
	5,001	5,001
Allotted, called up and fully paid		
2 ordinary shares of £1 each	–	–
2,499,999 A ordinary shares of £1 each	2,500	2,500
2,499,999 B ordinary shares of £1 each	2,500	2,500
	5,000	5,000

Both the A and B ordinary shares carry equal voting rights, equal rights to dividends and equal rights on winding up and rank pari passu with each other. The preferred ordinary shares carry non-voting rights and rank pari passu with the A and B ordinary shares.

Capital policy

The capital for the company is provided via funding from the parent and equity contributions and the primary objective is to generate a return for its shareholders.

18. Related party balances and transactions

During the year the company entered into the following related party transactions:

Capital Hill Hotels London Limited

Capital Hill Hotels Group Europe Limited owns 100% of the ordinary shares of Capital Hill Hotels Group London Limited.

Capital Hill Hotels Group Europe Limited has a receivable of £12,659 (2014 – £12,659) from Capital Hill Hotels Group London Limited.

Capital Hill Hotels Limited has a receivable of £101,020 (2014 – payable of £21,028) to Capital Hill Hotels Group Europe Limited.

Notes to the financial statements

at 31 December 2015

19. Transition to IFRS

The Company transitioned to IFRS from previous extant UK GAAP at 1 January 2014.

The impact of the transition is as follows:

	£000
Reconciliation of equity at 1 January 2014	
Equity under previous UK GAAP	7,475
Derivative adjustment	(4,612)
Equity under IFRS	2,863

	£000
Reconciliation of equity at 31 December 2014	
Equity under previous UK GAAP	5,294
Derivative adjustment	(2,886)
Equity under IFRS	2,408

	£000
Reconciliation of profit and loss for the year ended 31 December 2014	
Profit/(loss) for the year under previous UK GAAP	(2,181)
Derivative adjustment	1,726
Profit/(loss) for the year under IFRS	(455)