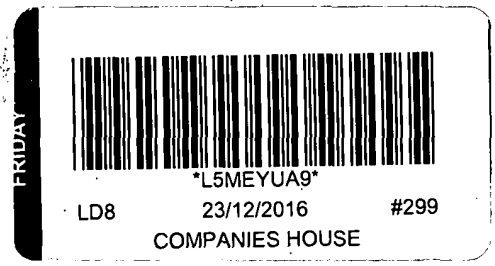
Hotel Management International (Holdings) Limited

Directors' report and financial statements
Registered number 4324021
31 March 2016



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Strategic Report

Principle Activity

The principal activities of the group continued to be the operation of hotels and the provision of consultancy and management services to the hotel and leisure industry.

Business Review

The results of the group are shown on page 7 of the financial statements.

The business of the Hotel Management International (Holdings) Limited group is to provide high quality hotel and ancillary services in businesses which are located in The Netherlands, the United Kingdom and Belgium.

The group's main objectives over the last few years have been to maintain room rates, improve the quality of services and standards, maintain the quality of the product and to focus on efficiencies and innovation. These have been achieved and remain the key objectives going forward.

Finance Review

The group has experienced another successful year in very challenging circumstances. The group's results were significantly impacted by the strengthening of the sterling against the euro, a movement of 14.2%.

The group's key performance indicators can be reviewed as follows;

£'000s	2016	2015	Movement	%
Turnover	35,395	34,822	573	1.6
Operating profit	4,617	4,997	(380)	(7.6)
PBT	3,546	3,805	(259)	(6.8)
Net Debt: EBITDA	2.2	1.0		

The group has separate financing for its UK and mainland European businesses and has a number of banking covenants. It has complied with all of its bank covenants.

In order to position itself for the future developments the group completed its refinancing with its existing bankers on 31 July 2015.

The directors were pleased with the group results and believe that the group is well positioned, both operationally and financially, to meet the future challenges.

Principle risks and Uncertainties

Credit, Interest rate, and Liquidity Risk

The group manages a variety of financial risks including interest rate, liquidity and credit risk. Fluctuation in interest rates affect the group's reported results. It is the group's goal to mitigate the effects of interest rate movements on profit, equity and cash flow. Whenever possible the group tries to establish this by creating natural hedges and by matching assets and liabilities. When natural hedges are not available the group seeks to use financial instruments. For this purpose, hedging ranges have been identified and strict policies and governance are in place covering the program, including authorisation procedures.

Approximately 50% of the total interest portfolio was fixed by long term hedging instruments. Assuming all other factors remain the same, a 1% change in interest rates would increase the interest costs by £165,000.

The group receives income in foreign currency. It has hedged approximately 50% of this risk by buying forward for a one to two year period.

Long term strategies and annual business plans are formulated to ensure that the financial covenants can be met and monitored on a regular basis. Working capital requirements are also regularly reviewed and closely managed to ensure there are sufficient cash flows available for the group.

The group maintains significant cash balances and operates with net current liabilities in order to mitigate any potential liquidity risk. It also has unutilised group borrowing facilities.

The group has a large number of customers and maintains tight credit control at each of its operations in order to mitigate its credit risk.

Strategic Report (*continued*)

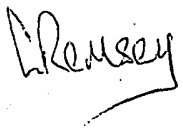
Principle risks and Uncertainties *(continued)*

Trading and Economic Risk

The level of economic activity in Belgium, The Netherlands and the UK continue to have a significant influence on the profitability of the group. Controls in the form of budgets, forecasting and competitor analysis are regularly analysed to ensure that the group are taking a pro-active stance in combatting any issues that should arise.

The group is also exposed to pressures arising from increasing costs from suppliers, increases in alcohol duty, and changes to government policies affecting the minimum wage, VAT and corporation tax.

By order of the board



GJ Ramsay, FCA

Secretary

364 High Street
Harlington
Heathrow
Hayes
UB3 5LF

23 December 2016

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2015.

Dividends

The directors paid an interim dividend for the year ended 31 March 2016 of £600,000 *(2015: £300,000).*

Financial instruments

To reduce the risk to the company from interest rate fluctuation, interest rate swap arrangements are entered into, see note 18.

Directors

The directors who held office at the beginning and end of the financial year were as follows:

PN Salussolia
GJ Ramsay, FCA
C Salussolia

Disabled persons

The group's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Consideration is given to appropriate training and career development prospects for those who are or become disabled.

Employee involvement

Regular meetings are held between senior management and employees to discuss the performance of the group, and to encourage employees' further development. Information is also passed to employees via regular newsletters.

Disclosure of information to auditor

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

Auditor

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

By order of the board

GJ Ramsay, FCA
Secretary

364 High Street
Harlington
Heathrow
Hayes
UB3 5LF

23 December 2016

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) , including FRS 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 group and parent company and of their profit or loss for that year. In preparing each of the group and parent company financial statements, the directors are required to:

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

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

KPMG LLP

15 Canada Square
London
E14 5GL
United Kingdom

Independent auditor's report to the members of Hotel Management International (Holdings) Limited

We have audited the financial statements of Hotel Management International (Holdings) Limited for the year ended 31 March 2016 set out on pages 7 to 38. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 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 set out 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 web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2016 and of the group's profit for the year then ended;
- Have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

KPMG LLP

15 Canada Square
London
E14 5GL
United Kingdom

Independent auditor's report to the members of Hotel Management International (Holdings) Limited *(continued)*

Matters on which we are required to report by exception

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

- Adequate accounting records have not been kept 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.

Mark Prince, (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

23 December 2016

Consolidated profit and loss account and other comprehensive income

for the year ended 31 March 2016

	Note	2016 £000	2015 £000
Turnover	2	**35,395**	34,822
Cost of sales		**(4,125)**	(4,030)
Gross profit		**31,270**	30,792
Administrative expenses		**(26,653)**	(25,795)
Operating profit	4	**4,617**	4,997
Interest payable and similar charges	3	**(1,071)**	(1,192)
Profit on ordinary activities before taxation	2	**3,546**	3,805
Tax on profit on ordinary activities	7	**(474)**	(489)
Profit on ordinary activities after taxation		**3,072**	3,316
Other comprehensive income			
Foreign exchange differences on translation of foreign operations		**4,628**	(7,258)
Effective portion of changes in fair value of cash flow hedges		**88**	358
Net change in fair value of cash flow hedges recycled to profit or loss		**(109)**	28
Income tax on comprehensive income		**(127)**	(40)
Other comprehensive income/(loss) for the year, net of income tax		**4,480**	(6,912)
Total comprehensive income/(loss) for the year		**7,552**	(3,596)

The results stated above are all derived from continuing operations.

The notes on pages 14 to 38 form an integral part of these financial statements.

Consolidated balance sheet

at 31 March 2016

	Note		2016		2015
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		73,750		65,646
Intangible assets	9		-		-
			73,750		65,646
Current assets					
Stocks	11	263		236	
Debtors	12	12,273		4,783	
Other financial assets	13	7		158	
Cash at bank and in hand		11,670		19,350	
		24,213		24,527	
Creditors: amounts falling due within one year	14	(10,702)		(10,318)	
Net current assets			13,511		14,209
Total assets less current liabilities			87,261		79,855
Creditors: amounts falling due after more than one year	15		(24,860)		(24,404)
Provisions for liabilities and charges	16		(169)		(171)
Net assets	2		62,232		55,280
Capital and reserves					
Called up share capital	17		146		146
Merger reserve			(232)		(232)
Revaluation reserve			617		685
Cash flow hedging reserve			(792)		(771)
Profit and loss account			62,493		55,452
Shareholders' funds			62,232		55,280

These financial statements were approved by the board of directors on 23 December 2016 and were signed on its behalf by:

G J Ramsay

Director

The notes on pages 14 to 38 form an integral part of these financial statements.

Company balance sheet

at 31 March 2016

	Note		2016		2015
		£000	£000	£000	£000
Fixed assets					
Investments	*10*		**61,975**		55,887
Current assets					
Debtors	*12*	**450**		8	
		450		8	
Creditors: amounts falling due within one year	*13*	-		(758)	
Net current liabilities			**450**		(750)
Net assets			**62,425**		55,137
Capital and reserves					
Called up share capital	*16*		**146**		146
Revaluation reserve			**59,918**		53,830
Profit and loss account			**2,361**		1,161
Shareholders' funds			**62,425**		55,137

These financial statements were approved by the board of directors on 23 December 2016 and were signed on its behalf by:

G J Ramsay
Director

The notes on pages 14 to 38 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

	Called up share capital	Merger reserve	Revaluation reserve	Cash flow hedging reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 30 March 2014	146	(232)	895	-	59,413	60,222
Effect of the change to FRS 102 (see note 24)	-	-	(179)	(1,157)	290	(867)
Balance at 1 April 2014 restated	**146**	**(232)**	**716**	**(1,157)**	**59,703**	**59,176**
Total comprehensive income for the period						
Profit or loss	-	-	-	-	3,316	3,316
Foreign exchange differences on translation of subsidiary undertakings	-	-	-	-	(7,258)	(7,258)
Effective portion of changes in fair value of cash flow hedges	-	-	-	358	-	358
Net change in fair value of cash flow hedges recycled to profit or loss	-	-	-	28	-	28
Difference between historical cost depreciation charge and actual	-	-	(39)	-	39	-
Income tax on comprehensive income	-	-	8	-	(48)	(40)
Total comprehensive income for the period	-	-	(31)	386	(3,951)	(3,596)
Dividends paid	-	-	-	-	(300)	(300)
Balance at 31 March 2015	**146**	**(232)**	**685**	**(771)**	**55,452**	**55,280**

The notes on pages 14 to 38 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity *(continued)*

	Called up share capital	Merger reserve	Revaluation reserve	Cash flow hedging reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2015	146	(232)	685	(771)	55,452	55,280
Total comprehensive income for the period						
Profit or loss	-	-	-	-	3,072	3,072
Foreign exchange differences on translation of subsidiary undertakings	-	-	-	-	4,628	4,628
Effective portion of changes in fair value of cash flow hedges	-	-	-	88	-	88
Net change in fair value of cash flow hedges recycled to profit or loss	-	-	-	(109)	-	(109)
Difference between historical cost depreciation charge and actual	-	-	(40)	-	40	-
Movement on deferred taxation	-	-	(28)	-	(99)	(127)
Total comprehensive income for the period	-	-	(40)	(21)	7,641	7,552
Dividends paid	-	-	-	-	(600)	(600)
Balance at 31 March 2016	146	(232)	617	(792)	62,493	62,232

The notes on pages 14 to 38 form an integral part of these financial statements.

Company Statement of Changes in Equity

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance at 1 April 2014	146	58,074	1,461	59,681
Total comprehensive income for the period				
Profit or loss	-	-	-	-
Revaluation of investment	-	(4,244)	-	(4,244)
Total comprehensive income for the period	-	(4,244)	-	(4,244)
Dividends paid	-	-	(300)	(300)
Balance at 31 March 2015	**146**	**53,830**	**1,161**	**55,137**

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance at 1 April 2015	146	53,830	1,161	55,137
Total comprehensive income for the period				
Profit or loss	-	-	1,800	1,800
Revaluation of investment	-	6,088	-	6,088
Total comprehensive income for the period	146	6,088	1,800	7,888
Dividends paid	-	-	(600)	(600)
Balance at 31 March 2016	**146**	**59,918**	**2,361**	**62,425**

Consolidated Cash Flow Statement

for year ended 31 March 2016

	Note	2016	2015
		£000	£000
Cash flows from operating activities			
Profit for the year		3,072	3,316
Adjustments for:			
Depreciation, amortisation and impairment		2,239	1,954
Foreign exchange loss/(gains)		50	(116)
Interest payable and similar charges		1,071	1,192
Taxation		474	489
(Increase)/decrease in trade and other debtors		(7,449)	3,541
(Increase)/decrease in stocks		(9)	9
Increase in trade and other creditors		(207)	555
Interest paid		(1,071)	(1,192)
Tax paid		(228)	(566)
Net cash from operating activities		(2,058)	9,182
Cash flows from investing activities			
Acquisition of tangible fixed assets		(4,416)	(1,449)
Net cash from investing activities		(4,416)	(1,449)
Cash flows from financing activities			
Proceeds from new loan		1,689	44
Repayment of borrowings		(3,346)	(1,646)
Dividends paid		(600)	(300)
Net cash from financing activities		(2,257)	(1,902)
Net increase/(decrease) in cash and cash equivalents		(8,731)	5,831
Cash and cash equivalents at 1 April		19,350	14,952
Effect of exchange rate fluctuations on cash held		1,051	(1,433)
Cash and cash equivalents at 31 March		11,670	19,350

Notes

(forming part of the financial statements)

1 Accounting policies

Hotel Management International (Holdings) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Group has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Group is provided in note 24.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 1 April 2014 have not been restated.
- Fair value or revaluation as deemed cost – The previous GAAP revaluation at transition date has been used as deemed cost for specific tangible fixed assets and specific intangible assets.
- Lease arrangements – in order to determine whether an arrangement contains a lease, the Group and Company has analysed facts and circumstances existing at 1 April 2014 rather than commencement date of the arrangement.
- Lease incentives – for leases commenced before 1 April 2015 the Group and Company continued to account for lease incentives under previous UK GAAP
- Borrowing costs – the Group and Company has elected to capitalise borrowing costs only from the date of transition.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified at fair value through the profit or loss.

1.2 Going concern

The directors have considered the factors that impact the group's future development, performance, cash flows and financial position along with the group's current liquidity in forming their opinion on the going concern basis. 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.

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries, are carried at fair value through profit or loss.

1.4 Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to other comprehensive income, which are recognised in other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.6 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1.8 Tangible fixed assets

Tangible fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort. Certain items of tangible fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.16 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Tangible fixed assets (continued)

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land and assets under construction are not depreciated. The estimated useful lives are as follows:

Freehold property	-	0.675% - 1.25%
Leasehold property	-	over the period of the lease or 50 years whichever is smaller
Furniture, fixtures and fittings	-	10% to 15% per annum
Motor vehicles	-	25% per annum

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.9 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

FRS 102.35 grants certain exemptions from the full requirements of FRS 102 in the transition period. The Group elected not to restate business combinations that took place prior to transition date. In respect of acquisitions prior to 1 April 2014, goodwill is included on the basis of its deemed cost, which represents the amount recorded under old UK GAAP. Intangible assets previously included in goodwill, are not recognised separately.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Negative goodwill

Negative goodwill arising on business combinations in respect of acquisitions is included on the balance sheet immediately below any positive goodwill and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in profit or loss in the periods expected to benefit.

Amortisation

Negative goodwill is amortised on a straight line basis over the useful life of the asset it relates to. Goodwill has no residual value.

1.11 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.14 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.15 Turnover

Turnover comprises income from the ownership of hotels and is recognised, excluding VAT, as the service are provided.

1.16 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset/are expensed as incurred.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.17 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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

2 Turnover

The group is principally engaged in the operation and management of hotels and the provision of management services ancillary thereto. All turnover relates to the sale of goods.

By geographical market:

	UK		Europe (excluding UK)		Total	
	2016	2015	**2016**	2015	**2016**	2015
	£000	£000	**£000**	£000	**£000**	£000
Turnover						
Sales to third parties	**1,932**	2,107	**33,463**	32,715	**35,395**	34,822

Notes *(continued)*

3. Interest payable and similar charges

	2016 £000	2015 £000
On bank loans, overdrafts and hedging instruments	1,023	1,192
Interest on hedge	48	-
	1,071	1,192

4. Expenses and auditor's remuneration

	2016 £000	2015 £000
Included in profit are the following:		
Depreciation	1,792	1,954
Impairment	447	-
Hire of other assets - operating leases	860	766
Foreign currency losses	(209)	197

Auditor's remuneration:

Amounts paid to the company's auditor in respect of services to the company, other than the audit of the Company's financial statements, have been borne by The Foundation Group of Companies Limited, a company under common ownership. Audit fees for these financial statements have been borne by another company related due to common control.

	2016 £000	2015 £000
Audit of these financial statements	38	37
Amounts receivable by the auditors and their associates in respect of:		
- Other services relating to taxation	10	48
- Audit of financial statements subsidiaries pursuant to legislation	52	50

Notes *(continued)*

5. Staff numbers and costs

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

	Number of employees	
	2016	2015
Management	**16**	16
Administration	**31**	31
Sales	**34**	36
Operational staff	**584**	584
	665	667

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	**10,109**	9,991
Social security costs	**1,782**	1,647
Contributions to defined contribution plans	**604**	642
	12,495	12,280

6. Directors' remuneration

	2016	2015
	£000	£000
Emoluments:		
Remuneration for management services	**495**	516
Other pension costs	**160**	160
	655	676
Emoluments of the highest paid director were:		
Remuneration for management services	**495**	516
Other pension costs	**160**	160
	655	676

Directors' remuneration was borne by related parties and was recharged to the group by the management fee. These fees are estimated at £138,000 (2015: £135,000).

Notes *(continued)*

7. Taxation

	2016	2015
	£000	£000
UK corporation tax		
Current tax on income for the period	262	262
Foreign tax		
Current tax on income for the period	228	263
Adjustments with respect to previous periods	-	(15)
Total current tax	490	510
Deferred tax (see note 16)		
Origination and reversal of timing differences	(12)	(10)
Change in tax rate	(4)	(11)
Deferred tax credit	(16)	(21)
Tax on profit on ordinary activities	474	489

	2016	2015
	£000	£000
Reconciliation of effective tax rate		
Profit for the period	3,072	3,316
Total tax expense	474	489
Profit excluding taxation	3,546	3,805
Current tax at 20% *(2015 21%)*	709	799
Effects of:		
Expenses not deductible for tax	(283)	(349)
Adjustments to tax charge in respect of previous periods	-	(15)
Impact of change in rate	(4)	(11)
Overseas tax rate differences	52	60
Total tax expense included in profit	474	489

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015.

An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

Notes *(continued)*

8. Tangible fixed assets

Group	Freehold and long leasehold property	Assets under construction	Leasehold property	Furniture, fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2015	60,551	-	2,194	29,073	27	91,845
Additions	-	2,100	-	2,316	-	4,416
Disposals	-	-	-	(136)	-	(136)
Currency translation	5,115	-	-	2,268	-	7,383
At 31 March 2016	65,666	2,100	2,194	33,521	27	103,508
Accumulated depreciation						
At 1 April 2015	8,177	-	8	17,987	27	26,199
Charge for the year	605	-	-	1,187	-	1,792
Impairment	-	-	-	447	-	447
Disposals	-	-	-	(136)	-	(136)
Currency translation	-	-	-	1,456	-	1,456
At 31 March 2016	8,782	-	8	20,941	27	29,758
Net book value						
At 31 March 2016	**56,884**	**2,100**	**2,186**	**12,580**	-	**73,750**
At 31 March 2015	52,374	-	2,186	11,086	-	65,646

The above amounts for Freehold and long leasehold property are based on valuations prepared between 1989 and 1994 by Jones Lang Wootton, independent chartered surveyors, on an open market value for existing use basis with vacant possession. All subsequent additions are recognised at cost.

Historical cost of revalued freehold property (at current exchange rates) was £37,890,000 *(2015, £34,850,000)*.

Notes *(continued)*

9. Intangible fixed assets

Group	Negative goodwill £000
Cost	
At beginning of year	(2,369)
Amortisation	
At beginning of year	2,369
Net book value	
At 31 March 2015 and 31 March 2016	-

10. Investments

Company	Investment in subsidiary undertakings £000
Cost or valuation	
At 31 March 2015	55,887
Revaluation in the year	6,088
At 31 March 2016	**61,975**

	2016 £000	2015 £000
Comprising		
Cost	**233**	233
Valuation	**61,742**	55,654
	61,975	55,887

Notes *(continued)*

10. Investments *(continued)*

The undertakings in which the Group's and Company's interest at the year-end is more than 20% are as follows.

Company	Country of incorporation	Class of share	Effective interest	Principal activity
Hotel Management International Limited	England	Ordinary	100%	Hotel Management and Hoteliers
Carlton Hotels Nederland BV	Netherlands	Ordinary	*100%	Holding Company
Oostduinhaghe Hotel BV	Netherlands	Ordinary	+100%	Hoteliers
Spijkenisse Hotel BV	Netherlands	Ordinary	+100%	Hoteliers
Haarlem Hotel BV	Netherlands	Ordinary	+100%	Hoteliers
Hotel Exploitatie Mij Maarssenbroek BV	Netherlands	Ordinary	+100%	Hoteliers
Carlton Ambassador Hotel BV	Netherlands	Ordinary	+100%	Hoteliers
De Brug BV	Netherlands	Ordinary	+100%	Hoteliers
Hotel Exploitatie Mij Anfra BV	Netherlands	Ordinary	+100%	Hoteliers
Carlton Hotels Brussel BV	Netherlands	Ordinary	+100%	Hoteliers

* The interest in these companies is held indirectly via the shareholding in Hotel Management International Limited.
+ The interest in these companies is held indirectly via the shareholding in Carlton Hotels Nederland BV.

11. Stocks

Group	2016 £000	2015 £000
Goods held for resale	263	236

12. Debtors

Group

	2016 £000	2015 £000
Trade debtors	1,063	968
Other debtors	35	19
Prepayments and accrued income	1,049	962
Amounts owed by related parties	9,952	2,547
Deferred tax asset (note 16)	174	287
	12,273	4,783

Amounts owed by related parties are non-interest bearing and are repayable on demand.

Notes *(continued)*

12. Debtors *(continued)*

Company

	2016	2015
	£000	£000
Amounts owed by related parties	450	8

Amounts owed by related parties are non-interest bearing and are repayable on demand.

13. Other financial assets

	2016	2015
	£000	£000
Hedging instruments	7	158

14. *Creditors: amounts falling due within one year*

Group	2016	2015
	£000	£000
Bank loans and overdrafts	1,656	1,646
Trade creditors	1,725	1,545
Amounts owed to related parties	533	2,698
Corporation tax	524	262
Other taxes and social security costs	336	453
Other creditors	120	149
Other financial liabilities	851	929
Accruals and deferred income	4,957	2,636
	10,702	10,318

Amounts owed to related parties are non-interest bearing and are repayable on demand.

Company	2016	2015
	£000	£000
Amounts due from subsidiaries	-	758

Amounts owed to subsidiaries are non-interest bearing and are repayable on demand.

Notes *(continued)*

15. Creditors: amounts falling due after more than one year

Group	2016 £000	2015 £000
Bank loans	24,860	24,404
Analysis of bank loans:		
Fixed interest loans	14,039	14,015
Variable interest loans	12,477	12,035
	26,516	26,050

Total secured borrowing, all repayable by instalments apart from the bank overdrafts:

Group	2016 £000	2015 £000
In 1 year or less or on demand		
- bank	1,656	1,646
Between 1 - 2 years - bank loans	3,072	2,939
Between 2 - 5 years - bank loans	21,788	21,465
After 5 years - bank loans	-	-
	26,516	26,050

The loans which fall due after 5 years are repayable at quarterly instalments of £461,000 with bullet payments between 5 to 6 years, at margins from 1.9% to 1.75%.

Each loan is secured by fixed and floating charge over the freehold and leasehold properties and other assets of the individual trading subsidiaries, which have a net book value of £73,750,000 *(2015:* £65,645,000*)*. Various interest rate swaps have been put in place on these loans. See note 18.

Notes *(continued)*

16. Deferred tax assets and liabilities

	2016	2015
	£000	£000
Net deferred tax liability /(asset) at the beginning of the year	105	(97)
Charge to the profit and loss account	16	21
Charge to other comprehensive income	(126)	(40)
Net deferred tax asset at the end of the year	(5)	(116)

Deferred tax (assets)/liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
	£000	£000	£000	£000	£000	£000
Accelerated capital allowances	-	(45)	22	-	22	(45)
Derivatives	-	(242)	29	-	29	(242)
Revaluations	(174)	-	118	171	(56)	171
Other	-	-	-	-	-	-
Tax (assets) / liabilities	(174)	(287)	169	171	(5)	(116)

17. Capital and reserves

Share capital

	2016	2015
	£000	£000
Authorised		
10,000,000 ordinary shares of £0.10 each	10,000	1,000
Allotted, called up and fully paid		
1,222,956 ordinary A shares of £0.10 each	123	123
232,944 ordinary B shares of £0.10 each	23	23
	146	146

Holders of Ordinary A shares have full voting rights. Holders of B shares have restricted voting rights. In all other regards, the shares rank pari passu.

Notes *(continued)*

17. Capital and reserves *(continued)*

Revaluation reserve

Where tangible fixed assets are revalued or reclassified as investment property, the cumulative increase in the fair value of the property at the date of reclassification in excess of any previous impairment losses is included in the revaluation reserve.

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Merger reserve

The merger reserve comprises the differences between consideration and book value which arose on the restructuring of the group.

18. Financial instruments

18 (a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2016	2015
	£000	£000
Assets measured at fair value through profit or loss	7	158
Assets measured at cost less impairment	11,566	1,949
Liabilities measured at fair value through profit or loss	(851)	(929)
Liabilities measured at amortised cost	(34,178)	(31,246)

18 (b) Financial instruments measured at fair value

Derivative financial instruments

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes.

18 (c) Fair values

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	Fair value 2016	Fair value 2015
	£000	£000
Interest rate swaps	(688)	(908)
Forward foreign currency exchange contracts	(156)	130

Notes *(continued)*

18. **Financial instruments** *(continued)*

18 (d) Hedge accounting

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models

	2016						2015					
	Carrying amount	**Expected cash flows**	**1 year or less**	**1 to <2years**	**2 to <5years**	**5years and over**	Carrying amount	Expected cash flows	1 year or less	1 to <2years	2 to <5years	5years and over
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	£000	£000	£000	£000	£000	£000
Interest rate swaps:												
Assets	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities	**(688)**	**(688)**	**(424)**	**(220)**	**(44)**	**-**	(908)	(908)	(378)	(352)	(178)	-
Forward exchange contracts:												
Assets	-	-	-	-	-	-	130	130	39	91	-	-
Liabilities	**(156)**	**(156)**	**(87)**	**(69)**	-	-	-	-	-	-	-	-

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to affect profit or loss:

	2016						2015					
	Carrying amount	**Expected cash flows**	**1 year or less**	**1 to <2years**	**2 to <5years**	**5years and over**	Carrying amount	Expected cash flows	1 year or less	1 to <2years	2 to <5years	5years and over
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	£000	£000	£000	£000	£000	£000
Interest rate swaps:												
Assets	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities	**(688)**	**(688)**	**(424)**	**(220)**	**(44)**	**-**	(908)	(908)	(378)	(352)	(178)	-
Forward exchange contracts:												
Assets	-	-	-	-	-	-	130	130	39	91	-	-
Liabilities	**(156)**	**(156)**	**(87)**	**(69)**	-	-	-	-	-	-	-	-

Notes *(continued)*

18. Financial instruments *(continued)*

18 (d) Hedge accounting (continued)

Interest rate swaps

The derivatives hedge against the risk of adverse fluctuations in floating interest rates. In each case, the hedged item is a floating interest rate on a bank loan. The hedge instruments are interest rate swaps to obtain fixed rate interest. The fair value of interest rate swap hedges at 31 March 2016 was a liability of £688,000 (2015: £908,000)

Forward exchange contracts

The derivatives hedge against the risk of adverse fluctuations in exchange rates. In each case, the hedged item is a management fee receivable from other group companies. The hedge instruments are forward exchange contracts to fix exchange rates for a specific future date. The fair value of forward exchange contract hedges at 31 March 2016 was a liability of £156,000 (2015: asset of £134,000)

19. Operating leases

Non-cancellable operating lease rentals are payable as follows

	Land and buildings	
	2016	2015
	£000	£000
Less than one year	**477**	436
Between one and five years	**1,940**	1,772
More than five years	**44,650**	41,516
	47,067	43,274

During the year £836,000 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £817,000)

The Company has no non-cancellable operating lease rentals payable and incurred no expense in the year (2015: nil).

20. Contingencies

The company and group are party to the bank overdrafts and bank loans of related companies. At the balance sheet date these totalled £19,750,000 *(2015:* £8,265,000*)*.

Notes *(continued)*

21. Accounting estimates and judgements

Critical accounting judgements in applying the Company's accounting policies

Deferred taxation

In accordance with FRS 102 the group provides for deferred taxation on all capital gains tax rolled over and any revaluations. It is currently not the directors intention to dispose of any of these assets.

Hedge accounting

As part of its risk management the group enters into forward foreign exchange contracts and interest rate swaps. It seeks to match these up to the future overseas cashflows and borrowing costs of the business. Accordingly, the group uses hedge accounting where appropriate.

22. Related party transactions

Group

The group's trading transactions during the year with these related parties were as follows:

	2016	2015
Management fees receivable	**£000**	£000
Carlton Hotels UK Limited	**167**	168
Saltire Taverns Limited	**35**	-

The group's aggregate balances with related parties were as follows:

	2016	2015
	£000	£000
Amounts due from / (owed to) related undertakings:		
The Foundation Group of Companies Limited	**9,952**	(2,698)
Glendola Leisure (Holdings) Limited	**(215)**	2,547
Carlton Hotels UK Limited	**(318)**	-
	9,419	(151)

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to £792,500 (*2015: £800,000*).

23. Ultimate controlling party

The immediate and ultimate controlling party is PN Salussolia, being the major shareholder.

Notes *(continued)*

24. Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Group's and Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016 and the comparative information presented in these financial statements for the year ended 31 March 2015.

Group

In preparing its FRS 102 balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Group's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Notes *(continued)*

24 Explanation of transition to FRS 102 from old UK GAAP *(continued)*

Reconciliation of equity

Group	Note	1 April 2014 UK GAAP £000	Effect of transition to FRS 102 £000	FRS 102 £000	31 March 2015 UK GAAP £000	Effect of transition to FRS 102 £000	FRS 102 £000
Fixed assets							
Tangible assets		75,773	-	75,773	65,646	-	65,646
Intangible assets		-	-	-	-	-	-
		75,773	-	75,773	65,646	-	65,646
Current assets							
Stocks		276	-	276	236	-	236
Debtors		5,826	290	6,116	4,541	242	4,783
Other financial assets	*a*	-	73	73	-	158	158
Cash at bank and in hand		14,952	-	14,952	19,350	-	19,350
		21,054	363	21,417	24,127	400	24,527
Creditors: amounts falling due within one year	*a*	(7,154)	(1,230)	(8,384)	(9,389)	(929)	(10,318)
Net current assets		13,900	(867)	13,033	14,738	(529)	14,209
Total assets less current liabilities		89,673	(867)	88,806	80,384	(529)	79,855
Creditors: amounts falling due after more than one year		(29,451)	-	(29,451)	(24,404)	-	(24,404)
Other financial liabilities	*b*	-	(179)	(179)	-	(171)	(171)
Net assets		60,222	(1,046)	59,176	55,980	(700)	55,280
Capital and reserves							
Called up share capital		146	-	146	146	-	146
Merger reserve		(232)	-	(232)	(232)	-	(232)
Cash flow hedging reserve	*a*	-	(1,157)	(1,157)	-	(771)	(771)
Revaluation reserve	*b*	895	(179)	716	856	(171)	685
Profit and loss account		59,413	290	59,703	55,210	242	55,452
Shareholders' funds		60,222	(1,046)	59,176	55,980	(700)	55,280

Notes to the reconciliation of equity

a) Derivative financial instruments were not recognised in the balance sheet under old UK GAAP. The Company has decided to hedge account for these and therefore recognised these through other comprehensive income. On transition the group recognised an asset of £73,000 and a liability of £1,230,000 in other financial assets/liabilities for with £1,157,000 being recognised in the cash flow hedge reserve. As at 31 March 2014 an asset £158,000 and a liability of £750,000 has been recognised in other financial assets/liabilities for with £771,000 being recognised in the cash flow hedge reserve. Associated with this was the recognition of a £21,000 deferred tax asset.

Notes *(continued)*

24. Explanation of transition to FRS 102 from old UK GAAP *(continued)*

Notes to the reconciliation of equity *(continued)*

b) A deferred tax liability for the revaluation reserve for £179,000 on the date of transition. At 31 March 2016 this was revalued at £171,000.

Reconciliation of profit for 31 March2015

	Note	2015		
		UK GAAP	Effect of transition to FRS 102	FRS 102
		£000	£000	£000
Turnover		34,822	-	34,822
Cost of sales		(4,030)	-	(4,030)
Gross profit		30,792	-	30,792
Administrative expenses		(25,795)	-	(25,795)
Operating profit		4,997	-	4,997
Interest payable and similar charges		(1,192)	-	(1,192)
Profit on ordinary activities before taxation		3,805	-	3,805
Tax on profit on ordinary activities		(510)	21	(489)
Profit on ordinary activities after taxation		3,295	21	3,316

Notes to the reconciliation of profit

a) See note (a) to the reconciliation of equity.

Company

There are no transition adjustments for the Company.

25. Ultimate controlling party

After the year end the company reached an agreement with the landlord to vacate the Mite Hotel (operated by Hotel Management International Limited) in return for receiving the statutory compensation of £462,000. This amount has not been recognised in the accounts. The landlord has made a provisional dilapidations claim for £728,000 which the company believes is wholly excessive. The company is also undertaking a rent review which is effective from 31 March 2014 until the vacation of the property. The company believes that the rent amount will settle below the passing rent; however this has not been recognised in the accounts.