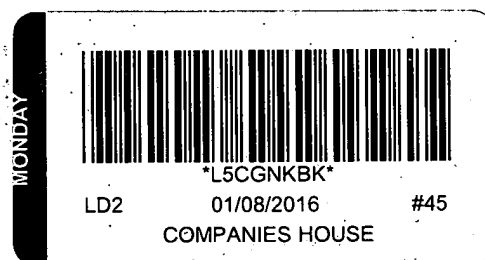


FIRMDALE PROPERTY INVESTMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2016

**REGISTRAR
OF COMPANIES**



MHA MacIntyre Hudson
GLOBAL EXPERTISE • NATIONAL EXPERIENCE • LOCAL EXCELLENCE®

FIRMDALE PROPERTY INVESTMENTS LIMITED

COMPANY INFORMATION

Directors	T. J. R. Kemp J. K. Kemp
Company secretary	M. T. Soden
Registered number	04725421
Registered office	21 Golden Square London W1F 9JN
Independent auditor	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditor New Bridge Street House 30-34 New Bridge Street London EC4V 6BJ
Bankers	Lloyds Bank PLC 39 Threadneedle Street London EC2R 8AU

FIRMDALE PROPERTY INVESTMENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 JANUARY 2016

Introduction

The directors present their report and the financial statements for the year ended 31 January 2016.

Business review

The Company has a freehold interest in the Charlotte Street Hotel and long leasehold interests in the Covent Garden Hotel and the Haymarket Hotel. All three hotels are managed by Firmdale Hotels Plc, a fellow group company. Prior to 27 November 2014 the hotels were operated by Firmdale Hotels Plc by virtue of long occupational leases which were collapsed as part of a major refinancing exercise across the wider Firmdale group of companies.

On 27 November 2014 the Company refinanced its existing debt with Barclays by taking a 10 year, non-amortising loan from Standard Life Investments Ltd. At the same time the Company terminated the interest hedge obligations associated with the old loan on payment of the Mark to Market value.

The interest rate payable on the new loan is fixed at 4.223% throughout the term.

Principal risks and uncertainties

The principal financial risks faced by the Company, and the Company's objectives and policies in relation to those risks, are as follows:

Cash flow risk

The finance department closely manages the Company's cash flow. Detailed cash flow forecasts are regularly prepared with the objective of alerting the directors to potential future risks. It is the Company's policy to ensure that forecast funding requirements can be met with available committed facilities.

Interest rate risk

The Company's interest rate policy has the twin objectives of minimising net interest expense whilst providing protection from material adverse movements in interest rates. The Company has fixed its interest charge obligations for ten years from 27 November 2014.

Currency risk

The Company faces a currency risk on its net assets and earnings, on translation of foreign currency transactions.

Future Developments

The Company is seeking further development opportunities in London but at present there are no specific projects secured.

Financial key performance indicators

The Company's three hotels managed by Firmdale Hotels Plc had aggregated revenues of £32.8m for the full financial year.

The three hotels operated at an excellent combined average occupancy of 88.5% and an average room rate of £351.

FIRMDALE PROPERTY INVESTMENTS LIMITED

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 JANUARY 2016**

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



T. J. R. Kemp
Director

Date: 29.7.16

FIRMDALE PROPERTY INVESTMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2016

The directors present their report and the financial statements for the year ended 31 January 2016.

Directors' responsibilities statement

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

Going concern

After performing their assessment and making appropriate enquiries, the directors have a reasonable expectation that the Company will remain a going concern for the foreseeable future and accordingly, the financial statements have been prepared on a going concern basis. The results and conclusions of the going concern assessment are described in more detail in note 1 of the financial statements.

Results and dividends

The profit for the year, after taxation, amounted to £0.414m (2015 - loss £1.916m), net of £nil (2015: £5.41m) of interest hedge termination costs, £nil (2015: £0.5m) of refinancing costs and £1.07m (2015: £2.119m) of depreciation.

The directors have not recommended a dividend.

Directors

The directors who served during the year were:

T. J. R. Kemp
J. K. Kemp

FIRMDALE PROPERTY INVESTMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2016

Financial instruments

The Company has established a risk and financial management framework whose primary objectives are to protect the Company from events that hinder the achievement of the Company's performance objectives.

The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Further detail in respect of the Company's exposure to risks such as cashflow and liquidity risk has been provided in the Strategic Report on pages 1 to 2

Employee involvement

Good communication with employees is considered by the directors to be essential to the success of the Company. Every effort is made to keep all employees informed as to significant developments within the Company.

Disabled employees

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

Directors' qualifying third party indemnity provisions

The Company has maintained qualifying directors' and officers' insurance throughout the financial year and to the date of this report.

Matters covered in the Strategic report

Included within the Strategic report set out on pages 1 to 2 is an indication of likely future developments as required by Sch.7(1)b of the Companies Act 2006.

Disclosure of information to auditor

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

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

Events after the end of the reporting period

There have been no significant events affecting the Company since the year end.

FIRMDALE PROPERTY INVESTMENTS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JANUARY 2016**

Auditor

MHA MacIntyre Hudson is deemed to be re-appointed under section 487(2) of the Companies Act 2006.

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



T. J. R. Kemp
Director

Date: 29.7.16

FIRMDALE PROPERTY INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRMDALE PROPERTY INVESTMENTS LIMITED

We have audited the financial statements of Firmdale Property Investments Limited for the year ended 31 January 2016, set out on pages 8 to 29. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's shareholders, 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 shareholders 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 shareholders 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, 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 Financial Reporting Council'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 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 Strategic report and the Directors' report 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 financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2016 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 and the directors' report has been prepared in accordance with applicable legal requirements.

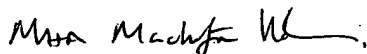
FIRMDALE PROPERTY INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRMDALE PROPERTY INVESTMENTS 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.



Christopher Sutton FCA (Senior statutory auditor)

for and on behalf of

MHA MacIntyre Hudson

Chartered Accountants & Statutory Auditor

New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Date: 29 July 2016

FIRMDALE PROPERTY INVESTMENTS LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 JANUARY 2016**

	Note	Continuing operations 2016 £000	Total 2016 £000	Continuing operations 2015 £000	Discontinued operations 2015 £000	Total 2015 £000
Turnover	1.3,3	32,785	32,785	5,558	6,265	11,823
Cost of sales		(22,920)	(22,920)	(4,217)	(1,311)	(5,528)
Gross profit		9,865	9,865	1,341	4,954	6,295
Administrative expenses		(6,188)	(6,188)	(1,487)	(2,166)	(3,653)
Net loss on financial liabilities at fair value through profit or loss	13	-	-	(5,241)	-	(5,241)
Operating profit/(loss)	4	3,677	3,677	(5,387)	2,788	(2,599)
Interest payable and expenses	7	(3,127)	(3,127)	(2,665)	-	(2,665)
Profit/(loss) before tax		550	550	(8,052)	2,788	(5,264)
Tax on profit/(loss)	8	(136)	(136)	3,348	-	3,348
Profit for the year		414	414	(4,704)	2,788	(1,916)

The notes on pages 13 to 29 form part of these financial statements.

FIRMDALE PROPERTY INVESTMENTS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JANUARY 2016**

	Note	2016 £000	2015 £000
Profit/(Loss) for the financial year		414	(1,916)
Other comprehensive income			
Unrealised (deficit) on revaluation of tangible fixed assets		(2,364)	(2,131)
Deferred tax credit/(charge) on revalued freehold properties	18	938	(5,575)
Deferred tax credit/(charge) on leasehold properties	18	2,308	(1,212)
Other comprehensive income for the year		882	(8,918)
Total comprehensive income for the year		1,296	(10,834)

FIRMDALE PROPERTY INVESTMENTS LIMITED
REGISTERED NUMBER:04725421

STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2016

	Note	2016 £000	2015 £000
Fixed assets			
Tangible assets	9	151,401	155,297
		<u>151,401</u>	<u>155,297</u>
Current assets			
Stocks	10	198	194
Debtors: amounts falling due within one year	11	15,442	15,564
Cash at bank and in hand	12	1,246	1,408
		<u>16,886</u>	<u>17,166</u>
Creditors: amounts falling due within one year	14	(59,028)	(61,443)
Net current liabilities		<u>(42,142)</u>	<u>(44,277)</u>
Total assets less current liabilities		<u>109,259</u>	<u>111,020</u>
Creditors: amounts falling due after more than one year	15	(73,784)	(73,731)
Provisions for liabilities			
Deferred tax	18	(18,358)	(21,468)
		<u>(18,358)</u>	<u>(21,468)</u>
Net assets		<u>17,117</u>	<u>15,821</u>
Capital and reserves			
Revaluation reserve	20	10,586	9,660
Retained earnings	20	6,431	6,161
		<u>17,117</u>	<u>15,821</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



T. J. R. Kemp
 Director

Date: 29.7.16

The notes on pages 13 to 29 form part of these financial statements.

FIRMDALE PROPERTY INVESTMENTS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2016**

	Revaluation reserve £000	Retained earnings £000	Total equity £000
At 1 February 2015	9,660	6,161	15,821
Comprehensive income for the year			
Profit for the year	-	414	414
Surplus on revaluation of freehold property	1,667	-	1,667
Deficit on revaluation of leasehold property	(4,031)	-	(4,031)
Deferred tax credit on revalued freehold properties	938	-	938
Deferred tax credit on revalued leasehold properties	2,308	-	2,308
Other comprehensive income for the year	882	-	882
Total comprehensive income for the year	882	414	1,296
Transfer to/from profit or loss account	144	(144)	-
At 31 January 2016	10,686	6,431	17,117

FIRMDALE PROPERTY INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY (continued)
FOR THE YEAR ENDED 31 JANUARY 2015

	Revaluation reserve	Retained earnings	Total equity
	£000	£000	£000
At 1 February 2014	22,902	3,753	26,655
Comprehensive income for the year			
Loss for the year	-	(1,916)	(1,916)
Deficit on revaluation of leasehold property	(2,131)	-	(2,131)
Deferred tax charge on revalued freehold properties	(5,575)	-	(5,575)
Deferred tax charge on revalued leasehold properties	(1,212)	-	(1,212)
Other comprehensive income for the year	(8,918)	-	(8,918)
Total comprehensive income for the year	(8,918)	(1,916)	(10,834)
Transfer to/from profit or loss account	(4,324)	4,324	-
At 31 January 2015	9,660	6,161	15,821

The notes on pages 13 to 29 form part of these financial statements.

FIRMDALE PROPERTY INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2016

1. Accounting policies

1.1 Basis of preparation of financial statements

Firmdale Property Investments Limited is a limited liability company incorporated and registered in England and Wales. Further details of the general information in respect of the Company is included on the Company Information page.

The financial statements have been prepared in accordance with Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain tangible fixed assets and derivatives as specified in the accounting policies below.

Information on the impact of first-time adoption of FRS 102 is given in note 25.

The financial statements are presented in sterling (£), which is also the functional currency of the Company, to the nearest round thousand, unless otherwise stated.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

1.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions, allowed to a qualifying entity in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Firmdale Holdings Limited as at 31 January 2016 and these financial statements may be obtained from the Registrar of Companies.

FIRMDALE PROPERTY INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2016

1. Accounting policies (continued)

1.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

1.4 Tangible fixed assets

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

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Freehold property	- 50 years straight line
Leasehold property	- Over the lease term / 15% per annum on cost
S/Term Leasehold Property	- Over the lease term / 15% per annum on cost

Land is not depreciated.

FIRMDALE PROPERTY INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2016

1. Accounting policies (continued)

1.5 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in Other comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

1.6 Stocks

Stocks are stated at the lower of cost and net realisable value, which is selling price less costs to sell after making due allowance for obsolete and slow-moving stocks. Cost is based on the cost of purchase on a first in, first out basis.

1.7 Debtors

Short term debtors are measured at transaction price, less any impairment unless the arrangement constitutes a financing transaction.

Where the arrangement constitutes a financing transaction, the debtor is initially measured at the present value of future cash receipts discounted at the market rate of interest and subsequently at amortised cost.

Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.8 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks, cash in hand, short term deposits with a maturity date of three months or less and bank overdrafts.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2016**

1. Accounting policies (continued)

1.9 Financial instruments

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

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

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

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

The Company uses interest rate swaps to adjust interest rate exposures.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of interest rate swaps are determined by calculating the present value of estimated future cash flows based on observable yield curves.

1.10 Creditors

Short term creditors are measured at the transaction price unless the arrangement constitutes a financing transaction.

Where an arrangement constitutes a financing transaction the creditor is initially measured at the present value of future payments discounted at a market rate of interest and subsequently at amortised cost.

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

FIRMDALE PROPERTY INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2016**

1. Accounting policies (continued)**1.11 Pensions****Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Income statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

1.12 Going concern

The Company meets its working capital requirements through funding from group companies. These companies have confirmed their intention to provide continuing support. As such, the directors consider it appropriate to prepare the accounts on a going concern basis.

1.13 Interest income

Interest income is recognised in the Income statement using the effective interest method.

1.14 Borrowing costs

All borrowing costs are recognised in the Income statement in the year in which they are incurred.

1.15 Provisions for liabilities

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

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

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

FIRMDALE PROPERTY INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2016**

1. Accounting policies (continued)

1.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.17 Discontinued operations

The Company recognises as "discontinued operations" components which have been disposed of and which represented a separate major line of business.

1.18 Related party transactions

As a result of the disclosure exemptions detailed in Note 1.2, the Company is only required to disclose transactions with related parties which are not wholly owned within the group of which the Company is part.

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

The following judgements (including the key areas of estimation uncertainty) have had the most significant effect on amounts recognised in the financial statements:

Revaluation of tangible fixed assets

The Company engaged independent valuation specialists to determine fair value of its leasehold and freehold properties at the end of the reporting period. Details of the key assumptions and techniques utilised by the valuer have been detailed in Note 9.

Fair value of derivative financial instruments

The Company engaged with valuation specialists to determine the fair value of derivative financial instruments such as interest rate swap arrangements at the end of the reporting period. Details of the key assumptions and techniques utilised in determining this fair value have been included within Note 17.

FIRMDALE PROPERTY INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2016**

3. Analysis of turnover

	2016 £000	2015 £000
Operation of hotels	32,785	5,558
Rental income received	-	6,265
	<u>32,785</u>	<u>11,823</u>

All turnover arose within the United Kingdom.

4. Operating profit

The operating profit is stated after charging:

	2016 £000	2015 £000
Depreciation of tangible fixed assets	1,707	2,119
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	7	7
Operating lease rentals	1,690	1,573
Defined contribution pension cost	<u>47</u>	<u>9</u>

During the year, no director received any emoluments (2015 - £NIL).

5. Discontinued operations

In the previous year, leases with group companies were terminated as part of a group restructuring exercise. Discontinued operations for the previous year relate wholly to the income and associated expenditure in respect of these leases. Also as part of the group restructuring exercise, the Company transferred its leasehold title in one of its hotel properties to another group company. This leasehold hotel had been subject to previous valuation gains, which had been recorded within the revaluation reserves, net of any provisions for deferred tax. On transfer of title, previous valuation gains on this property of £4.3m were realised and transferred to Retained Earnings. The Company has since undertaken the running and operation of the remaining hotel properties under a management agreement.

FIRMDALE PROPERTY INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2016

6. Employees

Staff costs were as follows:

	2016 £000	2015 £000
Wages and salaries	9,304	1,743
Social security costs	732	149
Other pension costs	47	9
	<u>10,083</u>	<u>1,901</u>

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

	2016 No.	2015 No.
Directors	2	1
Hotel staff	393	399
	<u>395</u>	<u>400</u>

7. Interest payable and similar expenses

	2016 £000	2015 £000
On bank loans and overdrafts	3,127	2,665
	<u>3,127</u>	<u>2,665</u>

8. Taxation

	2016 £000	2015 £000
Deferred tax		
Origination and reversal of timing differences	(186)	(3,348)
Changes to tax rates	322	-
Total deferred tax	<u>136</u>	<u>(3,348)</u>
Taxation on profit/(loss) on ordinary activities	<u>136</u>	<u>(3,348)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2016**

8. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2015 - higher than) the standard rate of corporation tax in the UK of 20.2% (2015 - 21.3%). The differences are explained below:

	2016	2015
	£000	£000
Profit/(Loss) on ordinary activities before tax	550	(5,264)
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.2% (2015 - 21.3%)	111	(1,121)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	14	141
Capital allowances for year in excess of depreciation	-	174
Adjustments to tax charge in respect of prior periods	(8)	-
Other timing differences leading to an increase/ (decrease) in taxation	-	(27)
Change in tax rate	322	-
Unrelieved tax losses carried forward	-	606
Other differences leading to an increase/ (decrease) in the tax charge	23	(3,194)
Group relief	(326)	73
Total tax charge for the year	136	(3,348)

FIRMDALE PROPERTY INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2016

9. Tangible fixed assets

	Freehold Property £000	S/Term Leasehold Property £000	L/Term Leasehold Property £000	Total £000
Cost or valuation				
At 1 February 2015	67,227	38,612	49,458	155,297
Additions	66	29	80	175
Revaluations	1,407	(2,141)	(3,337)	(4,071)
At 31 January 2016	68,700	36,500	46,201	151,401
 Charge for the year	260	981	466	1,707
On revalued assets	(260)	(981)	(466)	(1,707)
At 31 January 2016	-	-	-	-
 Net book value				
At 31 January 2016	68,700	36,500	46,201	151,401
At 31 January 2015	67,227	38,612	49,458	155,297

Standard Life Investment Limited holds a security agreement over freehold property, and fixed and floating charges over other assets held by the Company. These charges form security for a loan facility provided to the Company.

The freehold and leasehold properties were valued by an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and categories of the properties being valued, Jones Lang LaSalle, Chartered Surveyors, as at 31 January 2016, on the basis of fair value in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors.

The valuation has been based on the preparation of an income and expenditure forecast which is then capitalised using a discounted cash flow model.

The critical assumptions made relating to the valuations are set out below:

	2016	2015
Discount rate	7.5% - 9.25%	8.25% - 9.25%
Capitalisation rate	5% - 6.75%	5.75% - 6.75%

FIRMDALE PROPERTY INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2016**

9. Tangible fixed assets (continued)

If the freehold property had not been included at valuation they would have been included under the historical cost convention as follows:

	2016 £000	2015 £000
Cost	47,553	47,487
Accumulated depreciation	(3,266)	(3,090)
Net book value	44,287	44,397

If the leasehold properties had not been included at valuation they would have been included under the historical cost convention as follows:

	2016 £000	2015 £000
Cost	87,052	86,942
Accumulated depreciation	(11,944)	(10,268)
Net book value	75,108	76,674

10. Stocks

	2016 £000	2015 £000
Food and beverage stock	198	194
	198	194

Stock recognised in cost of sales during the year as an expense was £2.690m (2015: £0.546m).

FIRMDALE PROPERTY INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2016**

11. Debtors

	2016 £000	2015 £000
Trade debtors	63	332
Amounts owed by group undertakings	14,450	14,450
Other debtors	887	782
Prepayments and accrued income	42	-
	<u>15,442</u>	<u>15,564</u>

Amounts owed by group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

12. Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	<u>1,246</u>	<u>1,408</u>
	<u>1,246</u>	<u>1,408</u>

13. Net loss on financial liabilities at fair value through profit or loss

	2016 £000	2015 £000
Net loss on financial liabilities at fair value through profit or loss	-	5,241
	<u>-</u>	<u>5,241</u>

The loss represents the Mark to Market value of interest swap arrangements that were settled in the prior year.

FIRMDALE PROPERTY INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2016**

14. Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Amounts owed to group undertakings	58,203	60,754
Taxation and social security	129	-
Accruals and deferred income	696	689
	<u>59,028</u>	<u>61,443</u>

Amounts owed to group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

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

	2016 £000	2015 £000
Bank loans	73,784	73,731
	<u>73,784</u>	<u>73,731</u>

Secured loans

Included within loans due after more than five years is a fixed rate interest loan facility at 4.223% per annum. Interest only is paid until the termination of the loan on 26 November 2024, when the capital amount is to be repaid in full.

The bank loan due after more than one year is secured by legal charges over the freehold and leasehold properties of the Company and a fellow subsidiary. In addition, they are secured by fixed and floating charges over the book debts and other assets of the Company and a fellow subsidiary.

16. Loans

Analysis of the maturity of loans is given below:

	2016 £000	2015 £000
Amounts falling due after more than 5 years		
Bank loans	73,784	73,731
	<u>73,784</u>	<u>73,731</u>

FIRMDALE PROPERTY INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2016**

17. Financial instruments

During the comparative year the Company was party to interest rate swaps as a means of managing interest rate risk volatility. The fair values of the assets and liabilities held at fair value through profit or loss at the statement of financial position date were determined using quoted prices. Where quoted prices were not available for derivatives the fair value was calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of such financial instruments at the year end was £nil (2015: £nil).

18. Deferred taxation

	Deferred tax £000
At 1 February 2015	21,468
Charged to profit or loss	136
Credited to other comprehensive income	(3,246)
At 31 January 2016	18,358

The provision for deferred taxation is made up as follows:

	2016 £000	2015 £000
Accelerated capital allowances	(373)	(190)
Tax losses carried forward	(2,712)	(3,030)
Temporary timing differences on revalued fixed assets	21,443	24,688
	18,358	21,468

19. Share capital

	2016 £	2015 £
Allotted, called up and fully paid		
1 Ordinary share of £1	1	1

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not cover any rights of redemption.

FIRMDALE PROPERTY INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2016**

20. Reserves**Revaluation reserve**

This reserve records the amount above the historic cost of tangible fixed assets. The amount of depreciation provided on book value which represents a surplus on valuation is transferred as a reserves movement to retained earnings.

Retained earnings

This reserve records all historical profits and losses recognised by the Company, net of any due taxes and dividends declared.

21. Contingent liabilities and assets

The Firmdale Holdings Group, of which the Company is a member, has a claim for a quantifiable loss against Barclays Bank Plc of £41.7m and, in addition, a large consequential loss yet to be determined. No allowance has been made for this in these accounts for the Company's share of any recovery in respect of these claims.

22. Pension commitments

The Company operates a defined contribution scheme for certain employees. The assets of the scheme are held separately from those of the Company in independently administered funds. The pension cost charge for the year represents contributions payable by the Company to the funds and amounted to £0.047m (2015: £0.09m).

23. Commitments under operating leases

At 31 January 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £000	2015 £000
Land and buildings		
Not later than 1 year	1,709	1,575
Later than 1 year and not later than 5 years	6,834	6,298
Later than 5 years	68,541	55,206
Total	77,084	63,079

FIRMDALE PROPERTY INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2016

24. Controlling party

The immediate parent and controlling company is Firmdale West End Limited, a company registered in England and Wales. The consolidated accounts of this group, which is the smallest group to include the Company, are available from the Registrar of Companies.

The ultimate parent company is Firmdale Holdings Limited, head of the ultimate group and a company registered in England and Wales. These consolidated accounts of this group, which is the largest to include the Company, are available from the Registrar of Companies.

In the opinion of the directors, the Trustee of Kemp Family Foundation is the ultimate controlling party of the group and therefore of this entity.

25. Transition to FRS 102

The Company transitioned to FRS 102 from previously extant UK GAAP as at 1 February 2014. The impact of the transition to FRS 102 is as follows:

Reconciliation of equity at 1 February 2014

	Note	£000
Equity at 1 February 2014 under previous UK GAAP		56,864
Net loss on financial liabilities at fair value through profit or loss	1	(12,306)
Deferred taxation	2	(17,903)
Equity shareholders' funds at 1 February 2014 under FRS 102		26,655

Reconciliation of equity at 31 January 2015

	Note	£000
Equity at 31 January 2015 under previous UK GAAP		37,289
Deferred taxation	2	(21,468)
Equity shareholders' funds at 31 January 2015 under FRS 102		15,821

Reconciliation of profit or loss account for the year ended 31 January 2015

		£000
Loss for the year under previous UK GAAP		(17,443)
Net loss on financial liabilities at fair value through profit or loss	1	12,306
Deferred taxation	2	3,221
Loss for the year ended 31 January 2015 under FRS 102		(1,916)

FIRMDALE PROPERTY INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2016**

25. Transition to FRS 102 (continued)

The following were changes in accounting policies arising from the transition to FRS 102:

- 1 Interest rate swaps are recorded on the statement of financial position at fair value and accounted for at fair value through profit or loss. Under previous UK GAAP these were not recognised on the statement of financial position at the year end. Net interest payable was accrued and recognised in profit or loss.

The above adjustments represent the recognition of the fair value of the financial liability of interest rate swaps at 1 February 2014, and the subsequent movement in fair value on maturity (and therefore subsequent settlement) in the year ended 31 January 2015. Under previous UK GAAP the full value of the final settlement paid was recognised in profit or loss for the year ended 31 January 2015.

- 2 Under FRS102, deferred tax is recognised on a timing difference plus approach, whereas previous UK GAAP required a timing difference approach. Consequently deferred tax has been recognised on all fair value remeasurements taken through Other Comprehensive Income.

Deferred tax of £17.9m was recognised through Other Comprehensive Income on accumulated revaluation gains on transition. During the comparative year, further valuation gains were recognised resulting in additional deferred tax of £6.8m to be provided through Other Comprehensive Income. Deferred tax assets totalling £3.2m relating to losses and depreciation in excess of capital allowances were also recognised in the comparative year and offset against the deferred tax liabilities.