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Glasgow Manor Operations Limited

Directors' report and financial statements

Year ended 31 December 2018

Registered number: 09819532

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Glasgow Manor Operations Limited

Directors' report and financial statements

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Glasgow Manor Operations Limited

Directors and other information

Directors	Christos Dimitriadis
Registered office	60 Welbeck Street London W1G 9XB, United Kingdom
Independent auditors	KPMG Chartered Accountants 1 Stokes Place St. Stephen's Green Dublin 2 Ireland
Registered number	09819532

Glasgow Manor Operations Limited

Strategic report

The main activity of Glasgow Manor Operations Limited ("the Company") is the operation of the Doubletree by Hilton Glasgow Hotel.

The Company achieved a turnover of £14.5million in the year ended 31 December 2018 *(2017: £7.0 million)*. Company produced an operating profit of £7.1 million in the year ended 31 December 2018 (2017: £0.7 million) primarily due to one-off management charges incurred as part of a group restructure.

The key performance indicators for the Company are highlighted in the below table:

	2018	**2017**
Gross profit %	90	92
Operating profit %	(32)	10

Business risks and uncertainties

The hotel industry's performance is closely aligned to the general economic environment. Therefore, a key risk facing the Company is adverse economic conditions. The Company has a low cost business model, charging its customers rates that vary depending on levels of demand. This reduces, though does not eliminate, the financial impact arising from such adverse conditions.

There are a number of operational risks which could affect the Company, including the reservation and other information systems which are critical for the smooth running of the business. The internal control structure which is in place, which includes disaster recovery plans, debtor and creditor control management, along with the investment made in staff training help to mitigate such operational risks.

Going concern

The financial statements have been prepared on a going concern basis which assumes the Company will continue in existence for the foreseeable future.

Business review

The Company expects 2019 to be in line with 2018 in terms of trading and market conditions.

Glasgow Manor Operations Limited

Strategic report *(continued)*

Key performance indicators

Key financial performance indicators include:

- Monitoring of industry standard measures such as occupancy and average room rates against prior year and budget against competitors;
- Monitoring of department revenues and profitability; and
- Working capital management.

Key non-financial performance indicators include:

- Monitoring of quality: the Company monitors a number of quality indicators using data from a number of sources including guest questionnaires, mystery guest programs and feedback on third-party travel review websites; and
- Success of advertising and marketing campaigns, measured by indicators such as the number of guests making direct bookings through the Company website.

By order of the board and signed on 26 September 2019 its behalf by

Christos Dimitriadis
Director

Glasgow Manor Operations Limited

Directors' report

The directors submit their directors' report and the audited financial statements of Glasgow Manor Operations Limited (the "Company") for the year ended 31 December 2018 ("the year").

Principal activity

The principal activity of the Company is the operating of the DoubleTree by Hilton Glasgow Central Hotel.

Going concern

The financial statements have been prepared on a going concern basis which assumes the Company will continue in existence for the foreseeable future.

Results and dividends

The Company's profit for the financial year is £7,787k *(2017: £161k).*

There were no dividends proposed during the year (2017: £nil).

Directors and secretary and their interest

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Christos Dimitriadis (appointed 4 July 2018)
John Brennan (resigned 4 May 2018)
Grant Hearn (resigned 20 June 2018)
Darren Guy (resigned 20 December 2018)
Robert Gray (appointed 20 June 2018; resigned 4 July 2018)
Michael Gallagher (appointed 2 February 2018; resigned 4 July 2018)

The directors and secretary who held office at 31 December 2018 had no interests in the shares, loan stock or debentures of the Company or the entity's ultimate controlling party.

Subsequent events

There were no other events subsequent to the balance sheet date that require adjustment to or disclosure in the financial statements.

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

Disclosure of information to the 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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Glasgow Manor Operations Limited

Directors' report

Independent auditor

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

On behalf of the board on 26 September 2019

Christos Dimitriadis
Director

Glasgow Manor Operations Limited

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with FRS 101 *Reduced Disclosure Framework.*

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 judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

This report was approved by the board on 26 September 2019 and signed on its behalf.

Christos Dimitriadis
Director

KPMG
Audit
1 Stokes Place
St. Stephen's Green
Dublin 2
D02 DE03
Ireland

Independent auditor's report to the members of Glasgow Manor Operations Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Glasgow Manor Operations Limited ('the Company') for the year ended 31 December 2018 set out on pages 10 to 23, which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is UK Law and FRS 101 *Reduced Disclosure Framework*.

In our opinion, the accompanying financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 101 *Reduced Disclosure Framework*; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We have nothing to report on going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

KPMG

Independent auditor's report to the members of Glasgow Manor Operations Limited *(continued)*

Report on the audit of the financial statements *(continued)*

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the strategic and directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information;

- we have not identified material misstatements in the Directors' report or the Strategic report;
- in our opinion, the information given in the Directors' report and the Strategic Report is consistent with the financial statements;
- in our opinion, the Directors' report and the Strategic Report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 6, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

KPMG

Independent auditor's report to the members of Glasgow Manor Operations Limited *(continued)*

Respective responsibilities and restrictions on use *(continued)*

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

Our 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.

Eamon Dillon

Eamon Dillon
(Senior Statutory Auditor)
for and on behalf of
KPMG Statutory Auditor
1 Stokes Place
St Stephens Green
Dublin 2
Ireland

26 September 2019

Glasgow Manor Operations Limited

Profit and loss account and other comprehensive income

for the year ended 31 December 2018
Continuing operations

	Note	2018 £'000	2017 £'000
Turnover	*3*	**14,540**	6,980
Cost of sales		**(1,387)**	(555)
Gross profit		**13,153**	6,425
Administrative expenses		**(11,323)**	(1,757)
Depreciation		**(882)**	(879)
Other operating costs		**(5,650)**	(3,112)
Exceptional items	*7*	**11,778**	-
Operating (loss)/profit	*4*	**7,076**	677
Interest payable and other charges	*8*	**(223)**	(371)
Profit before taxation on ordinary activities		**6,853**	306
Tax credit/(charge) on profit before tax	*9*	**934**	(145)
Profit for the year		**7,787**	161
Other comprehensive income		-	-
Total comprehensive income		**7,787**	161

The notes on pages 13 to 23 form an integral part of these financial statements.

Glasgow Manor Operations Limited

Balance sheet
as at 31 December 2018

	Note	**2018 £'000**	2017 £'000
Fixed assets			
Tangible assets	*10*	**32**	11,651
		32	11,651
Current assets			
Stock	*11*	**123**	106
Debtors: amounts due within one year	*12*	**11,946**	2,538
Debtors: amounts due greater than one year	*12*	**469**	-
Cash in hand and at bank		**30**	36
		12,568	2,680
Creditors: amounts due within one year	*13*	**(10,860)**	(19,745)
Net current assets/(liabilities)		**1,708**	(17,065)
Total assets less current liabilities		**1,740**	(5,414)
Creditors: amounts due after one year		**-**	(633)
Net assets/(liabilities)		**1,740**	(6,047)
Capital and reserves			
Called up share capital	*16*	**-**	-
Profit and loss account		**7,948**	161
Other reserve	*17*	**(6,208)**	(6,208)
Total shareholders' funds/(deficit)		**1,740**	(6,047)

The notes on pages 13 to 23 form part of these financial statements.

These financial statements were approved by the board of director's on 26 September 2019 and were signed on its behalf by:

Christos Dimitriadis
Director

Company registration number: 09819532

Glasgow Manor Operations Limited

Statement of changes in equity

for the year ended 31 December 2018

	Called up share capital £'000	Profit and loss account £'000	Other reserves £'000	Total shareholders' funds/(deficit) £'000
At 31 December 2017	-	-	-	-
Comprehensive income for the year				
Profit for the financial year	-	161	-	161
Other reserve	-	-	(6,208)	(6,208)
Total comprehensive income for the year	-	161	(6,208)	(6,047)
At 31 December 2017	-	161	(6,208)	(6,047)
Comprehensive income for the year				
Profit for the financial year	-	**7,787**	-	**7,787**
Other reserve	-	-	-	-
Total comprehensive income for the year	-	**7,787**	-	**7,787**
At 31 December 2018	-	**7,948**	**(6,208)**	**1,740**

The notes on 13 to 23 form part of these financial statements.

Notes
forming part of the financial statements

1 Reporting entity

Glasgow Manor Operations Limited is a Company incorporated, domiciled and registered in England. The Company's registration number is 09819532 and registered address is 60 Welbeck Street, London, W1G 9XB.

2 Significant accounting policies

2.1 Basis of preparation of financial statements

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("EU IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

The Company's ultimate parent undertaking, LRC-Group includes the Company in its consolidated financial statements. The consolidated financial statements of LRC-Group. are prepared in accordance with international Financial Reporting Standards and are available to the public from Companies House, Cyrpus.

In these financial statements, the Company has adopted certain disclosure exemptions available under FRS 101. These include:

- a cash flow statement and related notes;
- disclosures in respect of the compensation of key management personnel;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- certain comparative information; and
- the effects of new but not yet effective IFRSs.

As the consolidated financial statements of LRC-Group include the equivalent disclosures, the Company has also taken the exemption under FRS 101 available in respect of the following:

- certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*; and
- certain disclosures required by IAS 36 *Impairment of Assets*.

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 below.

2 Significant accounting policies *(continued)*

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis.

The Company has adopted IFRS 9 and IFRS 15, which replace the existing guidance in IAS 39 Financial Instruments: Recognition and measurements ('IAS 39') and IAS 18 Revenue ('IAS 18') respectively, and which were both effective from 1 January 2018. In line with the transition guidance of both standards, the Company adopted IFRS 9 and IFRS 15 using the cumulative effect method prospectively for each standard and has not restated the 2017 comparable results on adoption of each standard. The adoption of these standards did not have a material impact on the Company.

IFRS 16 Lease is effective from 1 January 2019. The company is currently assessing the impact it will have on these financial statements.

2.3 Functional currency

These financial statements are presented in Sterling, being the functional currency of the Company. All financial information presented in Sterling has been rounded to the nearest thousand, except where otherwise stated.

2.4 Use of estimates and judgements

In preparing these financial statements management has made judgements, estimates and assumptions that affect application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Such estimates and judgements are based on historical experience and other factors, including expectation of future events that are believed to be reasonable. Actual outcomes may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

2.5 Going concern

The director is satisfied that the Company is a going concern and therefore has prepared the financial statements on this basis. The leases in place include discretionary termination clauses that are exercisable by the Company or the landlord. The landlord has given an undertaking not to exercise this clause before September 2020.

2.6 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values. When measuring the fair value of an asset or liability the Company uses market observable data as far as possible.

2.7 Revenue

Revenue represents sales (excluding VAT and similar taxes) of goods and services net of trade discounts provided in the normal course of business.

Revenue is derived from hotel operations and includes the rental of rooms, food and beverage sales, and other revenue. Revenue is recognised when rooms are occupied and food and beverages are sold.

2 Significant accounting policies *(continued)*

2.8 Leases

Assets held by the Company under leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's balance sheet. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

2.9 Finance income and finance costs

Interest income or expenses are recognised using the effective interest method.

2.10 Taxation

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

Current tax is the expected tax payable on the taxable income for the year using tax rates and laws that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: those differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised to the extent that it is probable future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2 Significant accounting policies *(continued)*

2.11 Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and impairment. Impairment losses are recognised in profit and loss.

Depreciation

Other tangible fixed assets are depreciated to a residual value over the estimated useful lives.

The estimated useful lives range as follows:

Computer equipment, fixtures and fittings	-	5 years

Depreciation is charged to the income statement on a straight line basis over the estimated useful life. Residual value is reassessed annually.

2.12 Financial instruments

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Company initially recognises loans and receivables issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets – measurement

Loans and receivables
These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

2 Significant accounting policies *(continued)*

2.12 Financial instruments *(continued)*

(iii) Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(iv) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Ordinary dividends declared as final dividends are recognised as a liability in the period in which they are approved by shareholders. Interim dividends are recognised as a liability when declared.

2.13 Pension

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2.14 Stock

Stock is measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principal.

2.15 Trade and other debtors

Trade and other debtors are initially measured at fair value. Subsequent to initial recognition they are measured at amortised cost. An allowance is made when collection of the full amount is no longer considered probable.

For trade receivables, the Company applies IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected allowance. Trade receivables are considered impaired when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the agreement.

2.16 Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost, which approximates to fair value given the short-term nature of the these.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less.

Cash equivalents are short-term highly liquid investments with an original maturity of three months or less from the date of acquisition that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

2 Significant accounting policies *(continued)*

2.18 Provisions and contingent liabilities

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of that outflow can be measured reliably. If the effect is material, provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of an outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of an outflow of economic benefits is remote.

2.19 Exceptional items

Exceptional items are items that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

3 Turnover

The whole of the turnover is attributable to the Company's main activity which is carried out in the United Kingdom. Turnover analysis is not presented due to its commercial sensitivity.

4 Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2018 **£000**	2017 £000
Depreciation of tangible assets	**882**	879
Auditors' remuneration	**-**	12
Operating lease rentals:		
- land and buildings	**2,742**	1,284

Auditor's remuneration was borne by another group company in 2018.

5 Staff numbers and costs

Staff costs were as follows:

	2018 **£'000**	2017 £'000
Wages and salaries	**3,378**	1,528
Social security costs	**182**	83
Pension costs	**45**	16
	3,605	1,627

The average monthly number of employees, including the directors, employed by the Company during the year was 173 (2017: 121).

6 Directors' remuneration

There was no remuneration paid to the directors by the Company during the year *(2017: £Nil)*. There were no retirement benefits accruing to the directors *(2017: £Nil)*.

7 Exceptional items

	2018	2017
	£000	£000
Loan waivers	**11,778**	-
	11,778	-

On 1 April 2018 the shareholders of the Company undertook an inter-company rationalisation exercise to eliminate inter-company balances and simplify the legal entity structure of the entities under its common control. This rationalisation was initiated by the Director of the Company following the acquisition by the new parent. £11,778k of loans owed to fellow group companies were forgiven during the year.

8 Interest payable and similar charges

	2018	2017
	£000	£000
Bank charges	**5**	5
Interest payable to group undertakings	**218**	366
	223	371

9 Tax on profit on ordinary activities

	2018	2017
	£'000	£'000
Corporation tax		
Current tax on profit for the year	**195**	99
Prior year credit	**(26)**	-
Total current tax	**169**	99
Deferred tax		
Origination and reversal of timing differences	**(1,080)**	46
Prior year credit	**(23)**	-
Total deferred tax	**(1,103)**	**46**
Tax charge on profit on ordinary activities	**(934)**	145

9 Tax on profit on ordinary activities *(continued)*

The tax assessed differs from the standard rate of corporation tax in the UK of 19.00% *(2017: 19.25%)*. The differences are explained below:

Factors affecting tax charge for the year	**2018 £'000**	2017 £'000
Profit on ordinary activities before taxation	**6,853**	307
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% *(2017: 19.25%)*	**1,302**	59
Effects of:		
Fixed asset differences	**-**	64
Prior year adjustment	**(49)**	-
Expenses not deductible for tax purposes	**(2,251)**	62
Deferred tax not recognised	**(63)**	(40)
Change in rate	**127**	-
Total tax (credit)/charge for the year	**(934)**	145

Factors that may affect future tax charges

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were enacted on 26 October 2015. Finance Bill 2015 further reduced the 18% rate to 17% from 1 April 2020, following substantial enactment on 6 September 2016. Together this will reduce the Company's future tax charges accordingly.

10 Tangible assets

	Fixtures, Fittings and equipment 2018 £'000
Cost	
At 1 January 2018	12,531
Additions	130
Disposals	(12,628)
At 31 December 2018	33
Accumulated depreciation	
At 1 January 2018	880
Charge for the year	882
Eliminated on disposals	(1,761)
At 31 December 2018	1
Net book value	
At 1 January 2018	11,651
At 31 December 2018	**32**

11 Stocks

	2018 £000	2017 £000
Food and beverage stocks	**123**	106
	123	106

12 Debtors

	2018 £'000	2017 £'000
Trade debtors	**652**	620
Prepayments and other debtors	**-**	84
Other debtors	**1,716**	1,834
Amounts owed by third parties	**9,556**	-
Corporation tax	**22**	-
Total within one year	**11,946**	2,538
Deferred tax (due later than one year) (Note 14)	**469**	-
	12,415	2,538

13 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	**717**	624
Accruals and other creditors	**1,257**	1,022
Deferred Income	**698**	788
VAT	**2,636**	139
Corporation tax	**-**	99
Loans due to fellow group undertakings	**5,552**	17,073
	10,860	19,745

Loans payable to group companies are interest free and repayable on demand.

14 Deferred taxation

	£'000
At 1 January 2018	633
Credited to the profit and loss account	(1,102)
At 31 December 2018	(469)

The provision for deferred taxation is made up as follows:

	2018 £'000	2017 £'000
Capital allowances	**(469)**	633
	(469)	633

15 Financial instruments

The Company had the following financial instruments:	2018 £'000	2017 £'000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**11,946**	2,538
	11,946	2,538
Financial liabilities		
Financial liabilities measured at amortised cost	**(10,860)**	(19,745)
	(10,860)	(19,745)

16 Called up share capital

	2018 £	2017 £
Allotted, called up and fully paid		
1 ordinary shares of £1 each	**1**	1

17 Other reserve

The other reserve was created on the acquisition of the trade and certain assets and liabilities of the Doubletree by Hilton Glasgow Hotel on 30 June 2017.

18 Commitments

(a) Capital commitments

At 31 December 2018 the Company had no capital commitments *(2017: £Nil).*

(b) Operating lease commitments

	2018 £'000	2017 £'000
Not later than 1 year	**5,100**	1,284
Later than 1 year and not later than 5 years	**20,400**	5,136
Total	**25,500**	6,420

Total operating lease charge in the year was £2,742k.

The leases in place include discretionary termination clauses that are exercisable by the Company or the landlord. The landlord has given an undertaking not to exercise this clause before September 2020.

19 Group relationships and ultimate controlling parties

The immediate parent Company is Ziferk Ltd, a Company registered in Cyprus. The ultimate controlling party is LRC-Group. The largest group in which the results of the Company are consolidated is that headed by LRC-Group. The financial statements of LRC-Group can be obtained from Companies House, Cyprus.

20 Related party transactions

The Company has availed of the exemptions available in FRS 101 from disclosing transactions entered into between two or more members of a group and also key management personnel compensation disclosures.

There were no other related party transactions.

21 Subsequent events

There were no other events subsequent to the balance sheet date that require adjustment to or disclosure in the financial statements.

22 Approval of the financial statements

The financial statements were approved by the directors on 26 September 2019.