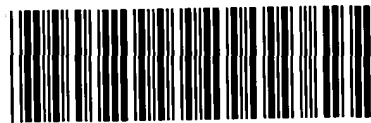


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CORUS HOTELS LIMITED

**Annual report and accounts
30 June 2018**

CORUS HOTELS LIMITED

Financial statements for the year ended 30 June 2018

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CORUS HOTELS LIMITED

Officers and professional advisers

Directors	Dr K P Khoo – Non-Executive Chairman Y K Loy K L Kwa A Khoo N F Wong
Secretary	Khurram Mohmand
Registered office	Corus House 1 Auckland Park Milton Keynes Buckinghamshire MK1 1BU
Registered number	00171238
Auditor	Moore Stephens LLP Chartered Accountants and Statutory Auditor 150 Aldersgate Street London EC1A 4AB
Principal bankers	Bank of East Asia 75 Shaftsbury Avenue London W1D 5BB United Overseas Bank Limited 50 Cannon Street London EC4N 6JJ
Solicitors	Kimbells LLP Power House Harrison Close Knowhill Milton Keynes MK5 8PA
Insurance Brokers	RK Harrison Insurance Brokers Limited The Mallings Lurhe Street Bedford MK40 3HH

CORUS HOTELS LIMITED

Directors' report for the year ended 30 June 2018

The directors present their annual report and the consolidated financial statements of the Company and Group for the year ended 30 June 2018.

Results and dividends

The Results of the Group for the year ended 30 June 2018 are set out on page 8 in the financial statements.

The directors have paid a dividend for the year ended 30 June 2018 of £61,900,000 (2017: £Nil)

Principal activity and review of the business

The principal activity of the Company and Group continues to be the operation of hotels, restaurants and the provision of conference related leisure activities.

A fair review of the business and a description of the principal risks and uncertainties facing the Group are set out in the Strategic Report on page 3.

Directors and their interests

The following directors served during the year ended 30 June 2018:

- Dr K P Khoo – Non-Executive Chairman
- N F Wong
- K L Kwa
- K C NG (resigned 29 August 2018)
- Y K Loy

A Khoo was appointed a Director on 14 February 2018

No director is a registered holder of any shares in the Company and no director holds any option over any shares in the Company.

Going Concern

The directors consider that the Group has adequate resources and facilities to continue in operational existence for the foreseeable future and accordingly have adopted the going concern basis in the preparation of the financial statements.

Employees

The Group has a participative management style with frequent direct contact between junior and senior employees. A two-way flow of information and feedback is maintained through formal and informal meetings covering Company and unit performance. The Group operates Management Consultative Committees and Staff Consultative Committees in all hotels. The Group is an Equal Employment Opportunity employer.

Donations

During the year the Group did not make any political or charitable donations.

Directors' indemnities

The Group maintains directors' and officers' liability insurance providing appropriate cover for any legal action brought against its directors.

Disabled persons

The Group's policy is to give all applications for employment from disabled persons full consideration in relation to the vacancy concerned and their own aptitude and abilities. In the event of existing staff members becoming disabled, every effort is made to enable them to maintain their present position or to provide appropriate training and employ them in suitable work within another department.

Training, career development and promotion of disabled persons employed by the Group is considered and administered in the same manner as for other employees, taking into account any additional support requirements of those persons.

CORUS HOTELS LIMITED

Directors' report for the year ended 30 June 2018 (continued)

Future developments

The group plans to re-brand The Burnham Beeches Hotel, phase 1 work is expected to start in January 2019. Further future developments under focus are re-development of The Regency Hotel in Solihull and The Chace Hotel in Coventry.

Post balance sheet events

There have been no events requiring reporting since the end of the year

Auditor

A resolution to appoint Moore Stephens LLP as auditor will be proposed at the forthcoming annual general meeting.

In so far as each of the directors are aware:

- there is no relevant audit information of which the Group's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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



Andrew Khoo
Director

CORUS HOTELS LIMITED

Strategic report for the year ended 30 June 2018

The directors present their Strategic Report for the year ended 30 June 2018.

Review of business and financial performance

The Company is a holding company and holds investments in a number of hotel Companies. During the year the company paid a Dividend of £61.9m.

In terms of the wider group, the directors believe that the key performance indicators are revenue, occupancy rates, wage costs and customer reviews.

The Corus group improved its revenue by 2.0% to £28.2 million during the financial year, compared with £27.7 million. The increase in revenue was largely due to the hotel group achieving a higher average room rate of £84.2 compared to £78.4 and also a marginal improvement in occupancy. However, profit after interest and depreciation before tax fell from £1.676 million to £0.254 million.

The group continues to review customer feedback to monitor performance throughout the year.

Total revenues from Corus Hyde Park Hotel in London, the group's flagship hotel, grew 8% because of improved occupancy and higher average room rate, giving an increase in yield of £6.18. The Laura Ashley-branded Belsfield Hotel in the Lake District also continued to show increasing Revenues and Operating Profit from year to year since rebranding. It recorded increases of 5% in total revenues and room yield of £5.94.

The group closed The Gay Hussar restaurant during the year and surrendered the lease back to the landlord. After the year end, the group closed L'Etoile restaurant and again surrendered the lease back to the landlord. These were loss making operations, as detailed in note 3, and will allow the management to focus on further expansion of branded hotel group.

As an ongoing strategy to divest non-core hotels, the group sold two hotels, The Old Golf House Hotel in Huddersfield and The Imperial Crown Hotel for £2.750 million to Northern Powerhouse. Half of the funds were used to repay the Bank of East Asia Loan and the other half held back for re-development of future branded hotels.

Risks and uncertainties

The directors consider the significant risks faced by the Group are any event resulting in decline of the UK tourist industry.

The other principal risks and uncertainties facing the Group are:

Competition

The Group operates in a highly competitive market with the principal competition being other hotels in the local areas. The principal factors are price and customers service. The Group mitigates this risk by monitoring the quality and value of its service and reviewing customer feedback.

Interest rate risk

Financial liabilities consist of bank loans. See note 15 for the maturity profile, interest rates and security of these items. The Group's interest rate risk arises from long-term borrowings and the Group manages this credit risk as disclosed in note 24.

Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks and financial institutions, as well as credit exposure to customers.

The Group manages this credit risk as disclosed in notes 13 and 24.

Internal Controls and Risk Management

The directors are responsible for the Group's system of internal financial control. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

In carrying out their responsibilities, the directors have put in place a framework of controls to ensure as far as possible that ongoing financial performance is monitored in a timely manner, that corrective action is taken, and that risk is identified as early as practically possible, and they have reviewed the effectiveness of internal financial control.

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



Andrew Khoo
Director

Statement of directors' responsibilities

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 period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the Group's results 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 the financial statements comply with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditors' report to the shareholders of Corus Hotels Limited

Opinion

We have audited the financial statements of Corus Hotels Limited and its subsidiaries (the "group") for the year ended 30 June 2018 which comprise Consolidated statement of comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated and company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 30 June 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Use of our report

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.

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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our 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 audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditors' report to the shareholders of Corus Hotels Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the 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 Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Moore Stephens LLP

GARETH JONES FCA (Senior Statutory Auditor)
for and on behalf of **MOORE STEPHENS LLP**
Chartered Accountants and Statutory Auditor
LONDON
31 January 2019

CORUS HOTELS LIMITED

Consolidated statement of comprehensive income for the year ended 30 June 2018

	Notes	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Revenue		28,224	27,769
Cost of sales		(20,270)	(17,113)
Gross profit		7,954	10,656
Administration expenses		(5,841)	(7,069)
Profit on disposal of property, plant and equipment		35	-
Operating profit	3	2,148	3,587
Interest receivable and similar income	5	1,310	1,308
Finance costs	6	(3,229)	(3,203)
Profit before taxation		229	1,692
Taxation	7	(247)	(471)
Profit for the financial year		(18)	1,221
Profit for the year attributable to:			
Equity holders of the Company		(163)	947
Non-controlling interests		145	274
		(18)	1,221

There was no other comprehensive income

All the groups' activities consist of continuing operations.

The notes on pages 14 to 31 are an integral part of these consolidated financial statements.

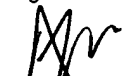
CORUS HOTELS LIMITED

Consolidated statement of financial position as at 30 June 2018

	Notes	30 June 2018 £'000	30 June 2017 £'000
Non-current assets			
Intangible assets	8	260	260
Property, plant and equipment	9	92,407	95,789
Loans to related undertakings	12	37,002	35,691
		<u>129,669</u>	<u>131,740</u>
Current assets			
Inventories	11	129	187
Trade and other receivables	13	3,473	4,389
Amounts due from related undertakings	12	65,709	125,579
Cash and cash equivalents	14	9,348	10,858
		<u>78,659</u>	<u>141,013</u>
Current liabilities			
Financial liabilities	15	(3,971)	(5,257)
Trade and other payables	16	(6,500)	(7,009)
Corporation tax		(208)	(495)
		<u>(10,679)</u>	<u>(12,761)</u>
Net current assets		<u>67,980</u>	<u>128,252</u>
Non-current liabilities			
Financial liabilities	15	(84,442)	(84,797)
Net assets		<u>113,207</u>	<u>175,195</u>
Shareholders' equity			
Share capital	19	2	73,592
Share premium		-	96,914
Other reserves		576	576
Accumulated reserves		105,529	(2,912)
Equity attributable to equity holders of the company		<u>106,107</u>	<u>168,170</u>
Non-controlling interest		<u>7,100</u>	<u>7,025</u>
Total equity		<u>113,207</u>	<u>175,195</u>

The financial statements were authorised for issue and approved by the board of directors

Signed on behalf of the board of directors:



Andrew Khoo
Director

Company Registration Number: 171238

The notes on pages 15 to 32 are an integral part of these consolidated financial statements.

CORUS HOTELS LIMITED

Company statement of financial position as at 30 June 2018

	Note	30 June 2018 £'000	30 June 2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	4,675	4,580
Investments	10	216	216
Deferred tax asset	17	857	930
		<u>5,748</u>	<u>5,726</u>
Current assets			
Inventories	11	25	65
Amounts due from related undertakings	12	114,854	179,403
Trade and other receivables	13	2,730	2,782
Cash and cash equivalents	14	157	645
		<u>117,766</u>	<u>182,895</u>
Current liabilities			
Financial liabilities	15	(3,595)	(4,980)
Trade and other payables	16	(6,475)	(5,905)
Loan from related undertakings	18	(79,240)	(77,957)
		<u>(89,310)</u>	<u>(88,842)</u>
		<u>34,204</u>	<u>94,053</u>
Net current assets			
Non-current liabilities			
Financial liabilities	15	(2,325)	(2,325)
		<u>(2,325)</u>	<u>(2,325)</u>
Net Assets		<u>31,879</u>	<u>97,454</u>
Shareholders' equity			
Share capital	19	2	73,592
Share premium		-	96,914
Other reserves		1,438	1,438
Retained earnings/ (deficit)		<u>30,439</u>	<u>(74,490)</u>
Total Equity		<u>31,879</u>	<u>97,454</u>

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the Company is not presented as part of these accounts. The comprehensive expense for the year of the Company was £90k (2017: £43,883k).

The financial statements were authorised for issue and approved by the board of directors

Signed on behalf of the board of directors:



Andrew Khoo
Director

Company Registration Number 171238

The notes on pages 15 to 32 are an integral part of these consolidated financial statements.

CORUS HOTELS LIMITED

Consolidated statement of changes in equity for the year ended 30 June 2018

	Share capital	Share premium	Other reserve	Retained (deficit)/ earnings	Total Attributable to equity holders of the company
	£'000	£'000	£'000	£'000	£'000
Balance at 1 June 2016	73,592	96,914	576	(3,859)	167,223
Changes in equity for 2017					
Comprehensive income for the year	-	-	-	947	947
Balance at 30 June 2017	73,592	96,914	576	(2,912)	168,170
Changes in equity for 2018					
Share Capital reduction	(73,590)	(96,914)	-	170,504	-
Comprehensive income for the year	-	-	-	(163)	(163)
Dividend Paid	-	-	-	(61,900)	(61,900)
Balance at 30 June 2018	2	-	576	105,529	106,107

	Total Attributable to equity holders of the company	Non controlling interest	Total equity
	£'000	£'000	£'000
Balance at 1 June 2016	167,223	7,090	174,313
Changes in equity for 2017			
Comprehensive income for the year	947	274	1,221
Dividend paid	-	(339)	(339)
Balance at 30 June 2017	168,170	7,025	175,195
Changes in equity for 2018			
Comprehensive (expense)/ income for the year	(163)	145	(18)
Dividend Paid	(61,900)	(70)	(61,970)
Balance at 30 June 2018	106,107	7,100	113,207

The notes on pages 15 to 32 are an integral part of these consolidated financial statements.

CORUS HOTELS LIMITED

Company statement of changes in equity for the year ended 30 June 2018

	Share capital	Share premium	Other reserve	Retained (deficit)/ earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 30 June 2016	73,592	96,914	1,438	(30,607)	141,337
Changes in equity for 2017					
Comprehensive expense for the year	-	-	-	(43,883)	(43,883)
Balance at 30 June 2017	73,592	96,914	1,438	(74,490)	97,454
Changes in equity for 2018					
Share Capital reduction	(73,590)	(96,914)	-	170,504	-
Comprehensive expense for the year	-	-	-	(3,675)	(3,675)
Dividend Paid	-	-	-	(61,900)	(61,900)
Balance at 30 June 2018	2	-	1,438	30,439	31,879

The notes on pages 14 to 32 are an integral part of these consolidated financial statements.

CORUS HOTELS LIMITED

Consolidated statement of cash flows for the year ended 30 June 2018

	Note	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Cash flows from operating activities			
Cash generated from operations	21(a)	3,709	1,590
Interest paid		(3,229)	(3,203)
Net cash inflow/(outflow) from operating activities		480	(1,613)
Investing activities			
Interest received		1,310	1,308
Purchase of property, plant and equipment		(1,023)	(1,037)
Net cash generated from investment activities		287	271
Financing activities			
Repayment of bank borrowings		(228)	(44)
Dividend to non-controlling interests		(70)	(339)
Additional advances to related undertaking		(2,900)	(1,048)
HP net repayment		(28)	(148)
Net cash used in financing activities		(3,226)	(1,579)
Net decrease in cash and cash equivalents		(2,459)	(2,921)
Cash and cash equivalents at beginning of year		5,878	8,799
Cash and cash equivalents at end of year		3,419	5,878
Analysis of cash and cash equivalents		2018 £'000	2017 £'000
Cash and cash equivalents		9,348	10,858
Bank overdraft		(5,929)	(4,980)
		3,419	5,878

The notes on pages 14 to 32 are an integral part of these consolidated financial statements.

CORUS HOTELS LIMITED

Company statement of cash flows for the year ended 30 June 2018

	Note	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Cash flows used in operating activities			
Cash used in operations	21(b)	(1,416)	(2,214)
Interest paid		(499)	(557)
Net cash used in operating activities		(1,915)	(2,771)
Investing activities			
Interest received		39	46
Purchase of property, plant and equipment		(120)	(2)
Net cash generated from investment activities		(81)	44
Financing activities			
Net increase of loans to related undertakings		2,893	3,503
Net cash generated from financing activities		2,893	3,503
Net increase in cash and cash equivalents		897	775
Cash and cash equivalents at beginning of year		(4,335)	(5,110)
Cash and cash equivalents at end of year		(3,438)	(4,335)
		2018	2017
		£'000	£'000
Analysis of cash and cash equivalents			
Cash and cash equivalents		157	645
Bank overdraft		(3,595)	(4,980)
		(3,438)	(4,335)

The notes on pages 14 to 32 are an integral part of these consolidated financial statements.

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2018

1. Presentation of financial statements

Corus Hotels Limited is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in the Directors' Report on page 2. The financial statements are presented in Sterling, which is the functional currency of the entity, to the nearest thousand (£'000).

2. Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting and Accounting Standards adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation.

At the date of authorisation of these financial statements, there were Standards and Interpretations that were in issue but not yet effective which have not been applied in these financial statements. The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statement of the group or company, except for additional disclosures when the relevant Standards come into effect.

The preparation of financial statements under IFRS requires the use of critical estimates and assumptions that effect the carrying value of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The most significant estimate is in relation to the fair value of freehold land & buildings and investments in subsidiary undertakings as well as recoverability of intra/group loss.

The financial statements have been prepared on the historical cost basis except the revaluation of Land and Buildings. The principal accounting policies adopted are set out below and have been consistently applied to all periods presented unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company ("its subsidiaries") made up to 30 June each year. Control is achieved where the company has the power to govern the financial and operating policies of a subsidiary so as to obtain benefits from its activities.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make additional investment to cover the losses.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intercompany transactions and balances between Group enterprises are eliminated on consolidation.

Notes to the financial statements
For the year ended 30 June 2018

2. Summary of significant accounting policies (continued)

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the acquisition date, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the acquisition. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair value at the acquisition date, except for non-current assets that are held for resale, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of cost over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and is tested for impairment annually, or on such occasions that events or changes in circumstances indicate that its value might be impaired.

On disposal of a subsidiary, the attributable amount of unamortised goodwill, which has not been subject to impairment, is included in the determination of the profit or loss on disposal.

Positive goodwill arising on acquisitions before the date of the transition to International Financial Reporting Standards has been retained at the previous UK GAAP amount subject to being tested for impairment at that date. Negative goodwill arising on acquisitions before the date of the transition has been credited to retained earnings at the date of transition.

If the Group's interest in the net fair value of a subsidiary's assets, liabilities and contingent liabilities exceeds cost of the business combination, the excess after any adjustment for fair value ("negative goodwill") is recognised in the statement of comprehensive income immediately.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Revenue recognition

Revenue represents any amounts receivable for completed night stays as well as other goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. All revenue is generated in the United Kingdom.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Leasing

Rentals payable under operating leases are charged to expenditure on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the period to which they are incurred..

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2018

2. Summary of significant accounting policies (continued)

Taxation

The tax charge represents the sum of current and deferred tax.

Current tax currently payable is based on taxable profits for the year. Taxable profits differ from net profits as reported in the statement of comprehensive income because it excludes items that are taxable or deductible in other years and items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on material differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are recognised for all material temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability or the asset is realised.

Pension costs

The Group operates a defined contribution pension scheme. Contributions are charged to the statement of comprehensive income as incurred.

Currencies

Transactions in currencies other than Sterling are recorded at the rates of exchange prevailing on the dates of the transactions.

Impairment

At each reporting date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the impairment loss is recognised as an expense.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss treated as a revaluation increase. Impairment losses relating to goodwill are not reversed.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation is charged so as to write the cost less residual value over estimated useful lives, using the straight-line method commencing in the month following the purchase, on the following basis:

Buildings	-	Between 50 and 150 years
Plant, furniture and equipment	-	Between 3 and 25 years

The useful lives and residual values of assets are reviewed annually.

No depreciation is provided on land.

The gain or loss arising on the disposal of an asset including disposal costs is recognised in the statement of comprehensive income.

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2018

2. Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated revenue less all estimated costs of completion and necessary selling costs.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's and Company's statement of financial position, when the Group or Company has become a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are initially recognised at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence, such as an increase in delayed payments, that the asset is potentially impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term deposits and liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest rate method

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that creates a residual interest in the assets of the Group.

Trade Payables

Trade payables and loans are initially measured at their cost which approximates to their fair value.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event from which it is likely that an outflow of economic benefits will occur which can be reasonably quantified.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of change in interest rates. The Group uses interest rate swaps to hedge against interest rate risk where considered appropriate. The Group does not use derivative financial instruments for speculative purposes. change in foreign currency exchange rates. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the income statement immediately.

A derivative is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are treated as current assets or liabilities.

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2018

3. Operating profit

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
The operating profit has been arrived at after charging/(crediting):		
Auditors' remuneration - audit	75	75
- FRS 102 conversion advice	20	20
- tax compliance services	20	20
- tax advice	30	30
- tax and company secretarial consultancy	18	18
Depreciation of property, plant, and equipment - owned assets	1,633	1,732
Inventory expensed	458	435
Property lease rentals	420	420
Hire of Equipment	135	142

Auditors' remuneration for the audit of the Company amounts to £10,000 (2017: £10,000).

During the year the Group took the strategic decision to close two of its restaurants and sold two of its hotels.

	30 June 2018				30 June 2017
	Continuing Business £'000	Closed Hotels £'000	Closed restaurants £'000	Total £'000	Total £'000
Revenue	26,364	990	870	28,224	27,769
Cost of Sales	(19,832)	(173)	(265)	(20,270)	(17,113)
Gross profit	6,532	817	605	7,954	10,656
Administration expenses	(3,298)	(1,156)	(1,387)	(5,825)	(7,069)
Profit on sale of Fixed Asset	35	-	-	35	-
Operating profit/(loss)	3,269	(339)	(782)	2,148	3,587

As the Group continues to operate hotels, and restaurants in its other hotels, these closures are not deemed to meet the definition of a discontinued operation.

4. Staff cost

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
The costs employing staff was:		
Wages and salaries	9,606	9,000
Social security costs	595	546
Other pension costs	65	45
	10,266	9,591
	No.	No.
The average number of employees during the year was	605	577

During the year the directors and key management personnel were paid £150,000 (2017: £130,000)

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2018

5. Interest receivable and similar income

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Interest from loans to related undertakings (Note 12)	<u>1,310</u>	<u>1,308</u>

6. Finance costs

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Interest on bank loans and overdrafts	<u>3,229</u>	<u>3,203</u>

7. Taxation

(a) Analysis of tax charge in year

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Current tax:		
United Kingdom corporation tax	228	482
Adjustment in respect of previous year	19	(11)
Total current tax	<u>247</u>	<u>471</u>
Deferred tax:		
Origination and reversal of timing differences	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Total tax charge on profit from continuing operations	<u>247</u>	<u>471</u>

The deferred tax movements have been detailed in note 17.

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2018

7. Taxation (continued)

(b) Factors affecting tax charge for year

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Profit before tax	<u>229</u>	<u>1,692</u>
Tax on profit from continuing operations at standard UK corporation tax rate of 19% (2017 : 19.75%)	44	334
Effects of:		
Expenses not deductible for tax purposes	49	90
Movement in unrecognised deferred tax	110	77
Adjustments to tax charge in respect of previous periods	19	(11)
Deferred tax movement regarding HBA's	(6)	(6)
Irrecoverable surplus ACT	71	31
Minority Interest adjustment	(40)	(44)
Total tax charge for year	<u>247</u>	<u>471</u>

8. Intangible assets Group

	£'000
At 30 June 2018 and 30 June 2017	<u>260</u>

The carrying amount of goodwill that has been partly allocated to a single cash generating unit is £223k. This has been allocated on a value in use basis to Burnham Beeches hotel. The value in use has been calculated using an estimated budget based on a growth forecast of 4% for the next 5 years and includes an estimated value of the hotel at the end of the 5 years to which a discount rate of 4% has been applied.

The remaining £37k of goodwill is allocated over a number of separately identifiable cash generating units.

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2018

9. Property, plant and equipment

Group 2018

	Land and Buildings £'000	Plant furniture and equipment £'000	Total £'000
Cost			
At 1 July 2017	107,677	30,617	138,294
Additions	323	700	1,023
Disposal	(6,740)	(3,451)	(10,191)
At 30 June 2018	101,260	27,866	129,126
Depreciation:			
At 1 July 2017	8,873	25,871	34,744
Charge for the year	552	1,081	1,633
Disposal	(1,704)	(3,073)	(4,777)
At 30 June 2018	7,721	23,879	31,600
Impairment			
At 1 July 2017	7,748	-	7,748
Written back in year on disposal	(2,629)	-	(2,629)
At 30 June 2018	5,119	-	5,119
Net book value:			
At 30 June 2018	88,420	3,987	92,407

Group 2017

	Land and Buildings £'000	Plant furniture and equipment £'000	Total £'000
Cost			
At 1 July 2016	99,223	38,026	137,249
Additions	-	1,037	1,037
Reclassification	8,454	(8,446)	8
At 30 June 2017	107,677	30,617	138,294
Depreciation:			
At 1 July 2016	5,821	27,103	32,924
Charge for the year	-	1,732	1,732
Reclassification	3,052	(2,964)	88
At 30 June 2017	8,873	25,871	34,744
Impairment			
At 1 July 2016	7,137	704	7,841
Reclassification	624	(704)	(80)
At 30 June 2017	7,761	-	7,761
Net book value:			
At 30 June 2017	91,043	4,746	95,789

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2018

9. Property, plant and equipment (continued)

Company 2018

	Land £'000	Buildings £'000	Plant furniture and equipment £'000	Total £'000
Cost				
At 1 July 2017	4,165	266	3,424	7,855
Additions	-	8	112	120
Disposals	-	-	(133)	(133)
At 31 June 2018	4,165	274	3,403	7,842
Depreciation:				
At 1 July 2017	-	84	2,791	2,875
Charge for the year	-	1	24	25
Disposals	-	-	(133)	(133)
At 30 June 2018	-	85	2,682	2,767
Impairment				
At 1 July 2017	-	-	400	400
At 30 June 2018	-	-	400	400
Net book value:				
At 30 June 2018	4,165	189	321	4,675

2017

	Land £'000	Buildings £'000	Plant furniture and equipment £'000	Total £'000
Cost				
At 1 July 2016	-	266	3,422	3,688
Additions	-	-	2	2
Transfer from subsidiary undertaking	4,165	-	-	4,165
At 30 June 2017	4,165	266	3,424	7,855
Depreciation:				
At 1 July 2016	-	84	2,762	2,846
Charge for the period	-	-	29	29
At 30 June 2017	-	84	2,791	2,875
Impairment				
At 1 July 2016	-	-	400	400
At 30 June 2017	-	-	400	400
Net book value:				
At 30 June 2017	4,165	182	233	4,580

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2018

10. Investments in subsidiary undertakings

£'000

At 30 June 2018 and 30 June 2017

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Corus Hotels owns 100% of the ordinary share capital of Catermax Limited, Woodmount Limited, Delaquest Limited, Patrolmake Limited and Rose & Crown VCT Limited, and 64.85% of the ordinary share capital in The Restaurant Partnership Plc.

Delaquest owns 100% of the ordinary share capital in Wright Hotels Limited, Wright Hotels (North Queensferry) Limited and Flamepro Limited.

Patrolmake Limited owns 100% of the ordinary share capital in The Bowler Hat Limited, Echostand Limited, The Imperial Crown Hotel Limited, Shandwick Leisure Limited, Styletune Limited, Dionball Limited, Plaza on Hyde Park Limited and Etrop Grange Limited.

Dionball Limited owns 100% of the ordinary share capital of County Hotels Group Plc. The Company owns 61.11% of the issued share capital of County Hotels Limited.

With the exception of companies indicated below, all companies were incorporated in and operate in England and Wales and their principal activity is the operation of hotels and restaurants. Wright Hotels Limited, Wright Hotels (North Queensferry) Limited and Shandwick Leisure Limited are all incorporated in Scotland.

Dionball Limited, County Hotels Group Plc and Wright Hotels Limited are holding companies and do not trade.

Dudley Hotels Limited, Rose & Crown VCT Limited, Wright Hotels Limited, Wright Hotels (North Queensferry) Limited, Echostand Limited, Shandwick Limited, The Bowler Hat Limited, Etrop Grange Limited and Styletune Limited are all dormant companies.

The principal activity of The Restaurant Partnership Plc during the year was that of operating two restaurants, both of which closed at the year end.

All subsidiary companies are included in the consolidated accounts of Corus Hotels Limited and share the registered office listed on page 1.

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2018

11. Inventories Group

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Consumables	<u>129</u>	<u>187</u>

Company

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Consumables	<u>25</u>	<u>65</u>

12. Loan to related undertakings

Group

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Over one year		
Loan to Libertyray (M) Sdn Bhd	<u>37,002</u>	<u>35,691</u>
Less than one year		
Loan to immediate parent company	80,544	140,520
Provision	(15,000)	(15,000)
Loan to Laura Ashley Plc	<u>165</u>	<u>59</u>
	<u>65,709</u>	<u>125,579</u>

The loan to Libertyray (M) Sdn Bhd, a company related via common ownership, has been provided to assist the MUI group with its financing activities. The interest receivable was charged at 2.5% above the Bank of England base rate, the charge for the year ended 30 June 2018 was £1,310k (2017: £1,308k).

Company

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Within one year-		
Loan to Laura Ashley Plc	-	59
Loan to parent company		
London Vista Hotel Limited	80,544	140,509
Provision	(15,000)	(15,000)
Loans to subsidiaries		
Delaquest Limited	26,469	25,360
The Imperial Crown Hotel Limited	-	1,653
Patrolmake Limited	22,345	22,345
The Restaurant Partnership Plc	-	970
Belsfield LLP	208	3,298
County Hotels Limited	<u>288</u>	<u>209</u>
	<u>114,854</u>	<u>179,403</u>

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2018

12. Loan to related undertakings (continued)

Following a restructuring of all inter group debt last year all loans receivable from Company's within the Corus Hotel group are now classified as receivable or payable within 1 year.

13. Trade and other receivables

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade receivables	896	1,584	-	-
Other receivables	232	9	389	2
Prepayments and accrued income	2,345	2,796	2,341	2,780
	<u>3,473</u>	<u>4,389</u>	<u>2,730</u>	<u>2,782</u>

The average credit period taken on sales of services was 18 days (2017: 21 days). The amounts presented in the financial statements are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience.

14. Cash and cash equivalents

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash and cash equivalents	9,348	10,858	157	645
	<u>9,348</u>	<u>10,858</u>	<u>157</u>	<u>645</u>

15. Financial liabilities

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<i>Within one year</i>				
Overdraft	3,595	4,980	3,595	4,980
Bank Loan	227	227	-	-
Hire purchase creditor	149	50	-	-
	<u>3,971</u>	<u>5,257</u>	<u>3,595</u>	<u>4,980</u>
<i>Over one year</i>				
Hire purchase creditor	158	285	-	-
Bank loans	84,284	84,512	2,325	2,325
	<u>84,442</u>	<u>84,797</u>	<u>2,325</u>	<u>2,325</u>
Total	<u>88,413</u>	<u>90,054</u>	<u>5,920</u>	<u>7,305</u>

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2018

15. Financial liabilities (continued)

The principal features of the financial liabilities are as follows:

- i) The bank overdraft is secured by a fixed and floating charge over the Group's assets. The effective interest rate on bank overdrafts is based on bank base rate plus margin of 3.5%.
- ii) There is a bank loan of £2,788,000 with Bank of Scotland which has a fixed interest rate of LIBOR +3.6% and is repayable as follows:

Loan Maturity Profile £'000

Within 1 year	(227)
Between one and two years	(2,334)
Total	(2,561)

- iii) A loan of £79,625,000 was taken out with United Overseas bank in March 2015. The proceeds of which were used to repay the loans of £33m and £35m with Maybank Islamic Berhad in full and the remainder used to fund working capital. The loan attracts an interest rate of LIBOR +2.35% over £53m with the remaining £26.625m attracting interest of 4.31% under an interest rate swap agreement, detailed in note 16.

Loan Maturity Profile £'000

Between 2-5 years	(79,625)
Total	(79,625)

- iv) Loan of £2.325m with Bank of East Asia Limited was taken out on 13 February 2014, at 3.5% plus LIBOR. The full balance is outstanding at the year end. This is secured over the following freehold land and properties held within the group and is due for repayment within 2 to 5 years.

1. Corus Hotel Solihull
2. Chace Hotel Coventry
3. Hillcrest Hotel Widnes
4. Forth Bridges Edinburgh

Maturity profile	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Within one year	3,821	5,207	3,595	4,980
Between one and two years	2,334	2,562	-	-
Between two and five years	81,950	81,950	2,325	2,325
	88,105	89,719	5,920	7,305

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2018

16. Trade and other payables

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade payables	2,182	2,240	2,182	2,243
Other taxation and social security	905	1,094	871	937
Accruals and deferred income	2,433	2,219	2,918	2,013
Other creditors	48	83	2	210
Financial derivative	430	871	-	-
Amounts payable to related undertakings	502	502	502	502
	<u>6,500</u>	<u>7,009</u>	<u>6,475</u>	<u>5,905</u>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade payables was 21 days (2017: 23 days) and directors believe their carrying value equates to their fair value.

The financial derivative relates to an interest rate swap over £26,200,000 of the £79,625,000 United Overseas bank loan detailed in note 15. The interest rate swap takes the variable rate of interest over this element of the loan of LIBOR plus 2.35% and fixes it at 4.31%.

The amount owed to related undertakings is payable to MUI Asia Limited, £2,000 (2017: £2,000) and Libertyray (M) Sdn Bhd £500,000 (2017: £500,000).

17. Deferred Tax Liability

Group

Certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes

	Accelerated Tax depreciation £'000	Tax losses £'000	Recoverable ACT £'000	TOTAL £'000
1 January 2016	2,058	(956)	(1,102)	-
Effect of reduction in tax rate	(136)	5	131	-
Credit to income	(114)	53	(61)	-
30 June 2017	<u>1,808</u>	<u>(898)</u>	<u>(910)</u>	<u>-</u>
Credit to income	(63)	-	63	-
Effect of reduction in tax rate	-	-	-	-
30 June 2018	<u>1,745</u>	<u>(898)</u>	<u>(847)</u>	<u>-</u>

The movement on current tax are detailed in Note 7.

As at the reporting date, the Group has unused tax losses of £23,528,810 (2017: £22,873,762) available for offset against future profits. A deferred tax asset has been recognised in respect of £5,284,310 (2017: £5,284,310) of such losses. No deferred tax asset has been recognised in respect of the remaining £18,244,500 (2017: £17,589,452) due to the unpredictability of future profit streams.

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2018

17. Deferred Tax Liability (continued) Company

	Accelerated Tax depreciation £'000	Tax losses £'000	Recoverable ACT £'000	TOTAL £'000
1 January 2016	(23)	-	(1,141)	(1,164)
Transfer to current tax	-	-	(234)	(234)
30 June 2017	(23)	-	(907)	(930)
Transfer to current tax	13	-	60	(73)
30 June 2018	(10)	-	(847)	(857)

Certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes.

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Cost		
Deferred tax assets at 30 June 2018	(857)	(930)

18. Loans to related undertakings Company

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Cost		
Due within 1 year:		
Loan to Subsidiaries		
County Hotels Group	4,352	4,352
Flamepro Limited	26,213	26,443
Plaza on Hyde Park Limited	48,673	47,162
LA Tearooms	2	-
	79,240	77,957

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2018

18. Loans from related undertakings (continued)

The repayment of the loans will be from the disposal proceeds of the hotels under the respective companies or from operations.

The loans are for the repayment of debt, interest servicing, operational requirements and for the refinancing of the hotels under the respective subsidiary.

The movements in the year are mainly due to waiving or repayment of debt, sales of hotels, refinancing proceeds and interest servicing and are deemed payable on demand as no formal agreement in place between the group entities.

19. Share capital

	2018 £'000	2017 £'000
Cost		
Authorised:		
577,779,333 ordinary shares of 7.5p each	<u>43,333</u>	<u>43,333</u>
Called up, allotted and fully paid:		
20,000 (2017: 290,331,882) ordinary shares of 7.5p each	<u>2</u>	<u>21,774</u>

During the year the company cancelled 290,311,882 ordinary shares of 7.5p each as part of a share capital réduction.

Preference shares

	2018 £'000	2017 £'000
Cost		
Nil (2017: 51,817,584) Non-cumulative redeemable preference shares of £1 each	<u>-</u>	<u>51,818</u>
	<u>-</u>	<u>51,818</u>

The rights attached to the preference shares are non-cumulative dividends, redemption and return of capital on winding up rights and they do not confer any voting rights. As a result, the preference shares are included within equity share capital.

During the year all of the preference shares were cancelled by the company.

20. Operating lease commitments

At the reporting date, the group and company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Group	Land and buildings 2018 £'000	Other 2018 £'000	Land and buildings 2017 £'000	Other 2017 £'000
Total rentals payable on leases expiring:				
Within one year	455	134	703	121
Within two to five years	1,820	214	2,346	242
More than five years	<u>25,157</u>	<u>-</u>	<u>25,612</u>	<u>-</u>
	<u>27,432</u>	<u>348</u>	<u>28,661</u>	<u>363</u>

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2018

21. (a) Reconciliation of operating activities to operating cash flows

Group

	30 June 2018 £'000	30 June 2017 £'000
Cost		
Profit on ordinary activities before taxation	229	1,692
Adjustments for:		
Depreciation	1,633	1,732
Profit on disposal of property, plant & equipment	(35)	-
Interest receivable	(1,310)	(1,308)
Finance Costs	3,229	3,203
Operating cash flows before movement in working capital	3,746	5,319
Change in inventories	58	(70)
Change in receivables	916	(763)
Change in payables	(1,011)	(2,896)
Cash generated from operations	3,709	1,590

21. (b) Reconciliation of operating activities to operating cash flows

Company

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Loss on ordinary activities before taxation	(3,602)	(43,648)
Adjustments for:		
Interest income	(39)	(46)
Write off of inter-company receivables	1,561	42,000
Finance costs	499	557
Depreciation	25	29
Operating cash flows before movement in working capital	(1,556)	(1,343)
Change in inventories	40	(65)
Change in receivables	52	(28)
Change in payables	48	(778)
Cash flows used in operations	(1,416)	(2,214)

22. Related party transactions

- a) Transactions between the parent company and its subsidiaries and related undertakings are disclosed in note 12, 16 and 18.

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2018

22. Related party transactions (continued)

b) Other transactions with related parties include:

- Corus Hotels charged £Nil (2017: £105k) to Laura Ashley Limited during the year for management services of the Elstree Manor Hotel. Details of the year end debtor can be found within note 13. Laura Ashley is related through a common director and shareholder.
- Dividends paid to non-controlling interests can be found in the consolidated statement of changes in equity on page 10. Amounts owed to non-controlling interests at the year end was £nil (2017: £nil).

c) There are no other transactions with the directors of the Company apart from those disclosed in note 4.

23. Immediate and ultimate parent company

The immediate parent company is London Vista Hotel Limited, a company incorporated in the United Kingdom. This is the smallest group in which Corus Hotels Limited is consolidated. The consolidated financial statements are available from Companies House.

The ultimate parent company is Malayan United Industries Berhad, a company incorporated in Malaysia. This is the largest group in which Corus Hotels Limited is consolidated. The consolidated financial statements, which include London Vista Hotel Limited, are available from Unit 3, 191 Jalan Ampeng, 50450, Kuala Lumpur, Malaysia.

24. Financial risk management

The Group's policies as regards to financial instruments are set out in the accounting policies.

Interest rate risk

Financial liabilities consist of bank loans. See note 15 for the maturity profile, interest rates and security of these items.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group manages its interest rate risk by regularly reviewing its existing position, refinancing or alternative financing to ensure the Group seeks to borrow at competitive rates. The Group also calculates the impact on profit and loss of a defined interest rate shift. This exercise is performed on a quarterly basis to verify that the maximum loss potential is within the limit given by management. Various scenarios are considered.

Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks and financial institutions, as well as credit exposure to customers.

The Group and Company have no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group manages this credit risk as disclosed in note 13.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquid resources are available to meet foreseeable needs and to invest cash and assets safely. Short term flexibility can be achieved by the use of an overdraft facility in place at the year end.

Fair values of financial instruments

There is no material difference between the book value and the fair value of the Group's financial instruments.