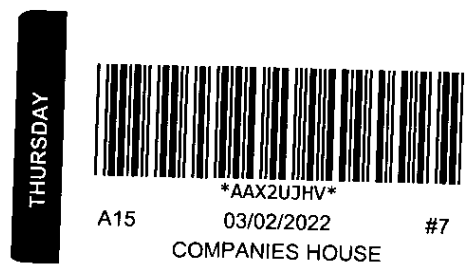


HOTEL MK LIMITED

Annual Report and Financial Statements

for the year ended 30 June 2021

Company Registration Number: 04224769



HOTEL MK LIMITED

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HOTEL MK LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P Winkelman

B Winkelman

M Turner

R Gawley

N Stead

COMPANY SECRETARY

R Gawley

REGISTERED OFFICE

Stadium MK

Stadium Way

Milton Keynes

MK1 1ST

BANKERS

Santander UK PLC

Milton Keynes

SOLICITORS

EMW LLP

Milton Keynes

AUDITOR

Deloitte LLP

Statutory Auditor

Cambridge

United Kingdom

HOTEL MK LIMITED

STRATEGIC REPORT

The directors, in preparing this Strategic report for Hotel MK Limited ("the Company"), have complied with s414C of the Companies Act 2006.

PRINCIPAL ACTIVITY

The principal activity of the Company is that of hotel operator at Stadium MK. Hotel MK Limited trades under the name Doubletree by Hilton Milton Keynes.

BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS

The results for the year are set out on page 13. Revenue in 2021 of £5.4m decreased from £8.7m in 2020. This is predominantly due to the Covid-19 pandemic and associated government restrictions, and despite remaining operational and functional throughout the year there were long periods of time guests were only allowed to stay for work, education or other legally permitted reasons. Administrative expenses and cost of sales both reduced, predominantly due to a combination of the reduction in activity and the maximisation of the use of the government's job retention scheme. The Company views the following as its key performance indicators:

	2021	2020
Trev PAR (total revenue per available room)	£49	£94
Occupancy rate	55%	73%

Given the ongoing impact of the Covid-19 pandemic throughout the whole year and a number of government enforced lockdowns, there was a significant decline in both the occupancy rate and the Trev PAR. Despite this, the Company continues to outperform its peer group.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The activities of Stadium MK Group Limited and its subsidiaries ("the Group") expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. Given the operational structure of the Group and the interdependencies present, these risks are assessed at a Group level.

Credit risk

The Group's principal financial assets are bank balances and cash, restricted cash, trade and other debtors.

The Group's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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

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

Cash flow risk

The Group's activities expose it primarily to the financial risks of changes in interest rates, as both the short term and long term debt incur interest at variable rates, based on daily compounded Sterling Overnight Index Average ("SONIA"). In order to mitigate this risk, the directors prepare cash flow forecasts, including sensitivity analysis, which take account of a reasonably possible increase in interest rates.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

PRINCIPAL RISKS AND UNCERTAINTIES

There are potential risks and uncertainties which could have a significant impact on the Company's long-term performance.

The Company's management team actively review existing risks across the Company and identify new risks on a

HOTEL MK LIMITED

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

monthly basis. Suitable controls are put in place and action plans are established to mitigate risks.

Operational risk

The risk of damage or destruction of land is mitigated by regular health and safety inspections, fire risk assessment and the maintenance of comprehensive insurance policies across all estates. The management of development works is handled in-house and a business continuity plan is in place to mitigate the effects of unexpected disruption to core operations.

Health and safety risk

A rigorous process of risk assessment is in place and reviewed on an annual basis. Health and safety considerations are an integral part of individual employees' annual review and appraisals to ensure the company and its stakeholders have safety at the heart of the Company's business.

People risk

The Group is reliant upon a level of stability amongst employed management and staff and strong relationships with joint venture partners. Management development and succession planning policies are reviewed regularly by the Nominations Committee, a Board subcommittee which has the responsibility to oversee this important process.

Brexit risk

The transition period formally ceased on 31 December 2020, and whilst the Group is aware of certain changes in the UK's border customs procedures and tariffs, due to the low level of trade the Group incurs outside the UK, the impact to date has been limited to restrictions on availability of workforce in particular areas. Management will continue to monitor the situation and take appropriate actions as they become aware of potential issues.

Climate change risk

Management review the potential climate risks associated with UK and Global climate change. Due to the nature of the Group's trade and being a single site business management do not believe there to be a significant risk to trade and performance. Management believe the largest risk to the Group would be a price rise of food and beverage as a result of increasing climate related duties.

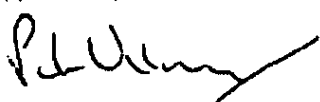
Covid-19 risk

The Covid-19 crisis commenced in the UK in March 2020 and whilst the country has started to recover we continue to see repercussions at the date of approving these financial statements. A thorough analysis of its impact on the Group was performed by senior leadership, which included but was not limited to the revision of cash flow forecasts, the arrangement of additional external financing, a change in the delivery model of Group operations, and unfortunately the unavoidable redundancy of a number of employees. The Group has been forced to cease or significantly scale back operations during the periods of lockdown during the year, placing employees on the furlough scheme available to companies in the UK as necessary, whilst extensive cost saving measures were also implemented across the Group. The main risk facing the Group as it, and the country, recovers from the impact of Covid-19 is the reduction of demand for its services and goods as well as restrictions on the number of individuals available for recruitment within the market. Both of these factors, may, in turn put additional strain on the cash requirements of the Group as a whole. The directors will continue to monitor and adapt as the situation becomes clearer, ensuring that the Group remain flexible enough to maximise revenue generating opportunities whilst continuing with cost reduction measures.

FUTURE DEVELOPMENTS

The directors do not anticipate that there will be any change to the Company's principal activities in the foreseeable future.

Approved by the Board of Directors on 17 December 2021 and signed on behalf of the Board by



P Winkelman
Director

HOTEL MK LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Company, together with the audited financial statements, for the year ended 30 June 2021.

As permitted under section 414C(11) of the Companies Act 2006, the disclosures required by regulations made under 416(4) in relation to financial risk management objectives and policies have been included in the Strategic Report and form part of this report by cross-reference.

GOING CONCERN

Due to the company having net current assets of £8.8m (2020 - £6.1m) despite an overdraft of £2.5m (2020 - an overdraft of £1.5m), the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

To determine that the going concern basis is appropriate the company has received a letter of support from its parent company confirming that it will provide the necessary support to enable the company to continue as a going concern for the foreseeable future and for at least 12 months from the date of this report.

The directors of Stadium MK Group Limited, the ultimate parent company, have prepared financial projections for the Group, through to 30 June 2023 ("the Forecast"), which includes quarterly repayments against external borrowings and a prudent forecast of the ongoing impact of Covid-19. These show the Group continuing as a going concern. Accordingly, the directors of the Company, having received a letter of support from the Group, continue to adopt the going concern basis of preparation.

FUTURE DEVELOPMENTS

Information on any future developments can be found in the Strategic Report on page 5 and form part of this report by cross-reference.

DIRECTORS

The directors who served throughout the year and to the date of this report, unless otherwise stated, are:

P Winkelman
B Winkelman
M Turner
R Gawley
N Stead

DIVIDENDS

No dividend was paid or proposed during the year or after the year end (2020 - £nil).

APPROVAL OF REDUCED DISCLOSURES

The Company, as a qualifying entity, has taken advantage, in respect of its separate financial statements, of the disclosure exemptions in FRS 102 paragraph 1.12. Exemptions have been taken in these separate Company financial statements in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel. The Company's shareholder has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intends to take advantage of these exemptions in the financial statements to be issued in the following year.

HOTEL MK LIMITED

DIRECTORS' REPORT

DIRECTORS' INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

AUDITOR

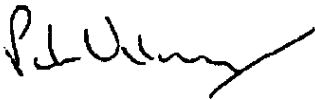
Each of the persons who is a director at the date of approval of this annual report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be considered in the absence of an Annual General Meeting.

Approved by the Board of Directors on 17 December 2021 and signed on behalf of the Board by



P Winkelman
Director

HOTEL MK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures *disclosed and explained in the financial statements; and*
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

HOTEL MK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOTEL MK LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Hotel MK Limited ('the company'):

- give a true and fair view of the state of the company's affairs as at 30 June 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the '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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

HOTEL MK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOTEL MK LIMITED (continued)

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 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 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 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 further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's *documentation of their policies and procedures relating to fraud and compliance with laws and regulations*. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and UK Tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included employment law, health and safety regulations and GDPR.

HOTEL MK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOTEL MK LIMITED (continued)

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it described below:

- We presume a risk of material misstatement due to fraud relating to revenue recognition. This has been pinpointed to occurrence of revenue. In order to address the risk identified we have performed substantive testing over sales recognised, pinpointing to periods for which the country was in national lockdown to ensure that the revenue recognised during this period was in line with delivery of goods and services within the Hotel.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

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.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

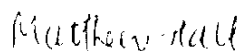
HOTEL MK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOTEL MK LIMITED (continued)

We have nothing to report in respect of these matters.

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.



Matthew Hall FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Cambridge, United Kingdom

Date 17 December 2021

HOTEL MK LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2021

	Note	2021 £	2020 £
TURNOVER		5,418,901	8,737,397
Cost of sales		(2,930,066)	(5,040,079)
GROSS PROFIT		<u>2,488,835</u>	<u>3,697,318</u>
Administrative expenses		(2,633,377)	(3,506,005)
Other operating income	3	2,719,455	766,638
OPERATING PROFIT		<u>2,574,913</u>	<u>957,951</u>
Interest payable and similar charges	4	(171,015)	(159,302)
PROFIT BEFORE TAXATION	5	<u>2,403,898</u>	<u>798,649</u>
Tax on profit	7	(1,580,416)	(1,687,280)
PROFIT / (LOSS) FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY		<u><u>823,482</u></u>	<u><u>(888,631)</u></u>

There is no comprehensive income or expense in either the current or previous year other than the profit / (loss) disclosed in the profit and loss account. Accordingly, no statement of comprehensive income is presented.

All activities derive from continuing operations.

HOTEL MK LIMITED

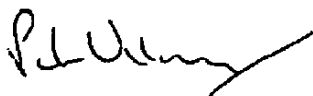
BALANCE SHEET

As at 30 June 2021

	Note	2021 £	2020 £
FIXED ASSETS			
Tangible assets	8	<u>325,918</u>	<u>499,502</u>
		325,918	499,502
CURRENT ASSETS			
Stocks	9	174,145	201,687
Debtors	10	<u>12,662,762</u>	<u>9,037,782</u>
		12,836,907	9,239,469
CREDITORS: Amounts falling due within one year	11	(4,055,689)	(3,097,960)
NET CURRENT ASSETS		<u>8,781,218</u>	<u>6,141,509</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,107,136</u>	<u>6,641,011</u>
CREDITORS: Amounts falling due after more than one year	12	(5,972,927)	(4,330,284)
NET ASSETS		<u><u>3,134,209</u></u>	<u><u>2,310,727</u></u>
CAPITAL AND RESERVES			
Called up share capital	14	1	1
Profit and loss account	14	3,134,208	2,310,726
SHAREHOLDERS' FUNDS		<u><u>3,134,209</u></u>	<u><u>2,310,727</u></u>

The financial statements of Hotel MK Limited, registered number 04224769, were approved by the Board of Directors and authorised for issue on 17 December 2021.

Signed on behalf of the Board of Directors



P Winkelman
Director

HOTEL MK LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2021

	Called up share capital £	Profit and loss account £	Total £
At 1 July 2019	1	3,199,357	3,199,358
Loss for the financial year	-	(888,631)	(888,631)
Total comprehensive expense	-	(888,631)	(888,631)
At 30 June 2020	1	2,310,726	2,310,727
Profit for the financial year	-	823,482	823,482
Total comprehensive income	-	823,482	823,482
At 30 June 2021	1	3,134,208	3,134,209

HOTEL MK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

1 ACCOUNTING POLICIES

The principal accounting policies adopted are summarised below. They have been applied consistently throughout the year and preceding year.

General information and basis of accounting

Hotel MK Limited is a private company limited by shares incorporated in the United Kingdom and is registered in England and Wales under the Companies Act 2006. The address of the registered office is given on page 3. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operated. The Company's financial statements are therefore presented in pounds sterling.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions in relation to financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

The results of the Company are included in the consolidated accounts of its ultimate parent company, Stadium MK Group Limited.

Going concern

The Company is a wholly owned subsidiary of Stadium MK Group Limited. All subsidiaries within the Group are operationally inter-dependent and subject to cross-guarantees. To determine that the going concern basis is appropriate the company has received a letter of support from its parent company confirming that it will provide the necessary support to enable the company to continue as a going concern for the foreseeable future and for at least 12 months from the date of this report.

The directors of Stadium MK Group Limited, the ultimate parent company, have prepared financial projections for the Group, through to 30 June 2023 ("the Forecast"), which includes quarterly repayments against external borrowings and a prudent forecast of the ongoing impact of Covid-19. These show the Group continuing as a going concern.

Accordingly, the directors of the Company, having received a letter of support from the Group, continue to adopt the going concern basis of preparation.

Turnover

Turnover from the supply of services, which principally comprise accommodation charges and the provision of corporate event facilities, is recognised to the extent that there is a right to consideration and is recorded at the point at which the service is provided. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year. Turnover from the sale of food and drink is recognised at the point of sale. During the year the turnover generated from supply of services totalled £4,340,667 (2020 - £5,479,595) whilst turnover generated from sale of goods totalled £1,0778,234 (2020 - £3,257,802).

All turnover in the current year and preceding year was derived in the United Kingdom, from the company's principal activity.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. Government grants are recognised as income on a systematic basis over the periods in which the Company recognises the related costs for which the grants are intended to compensate.

HOTEL MK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

1 ACCOUNTING POLICIES (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Tangible fixed assets are capitalised when the cost of the item is at least £1,000 or when collectively a number of items have a cost of £1,000 and individually have a cost of more than £100 and are deemed to be functionally independent. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	5 years
Furniture & fittings	5 years
IT equipment	5 years

The recognition of profit or loss on sale of fixed assets is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Taxation

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

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

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

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

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Stocks, which comprise consumables, are stated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

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 the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Cash

Cash and cash equivalents comprise bank balances including cash pool assets, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

HOTEL MK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

1 ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Insurance receipts

Monies due from the Group's business interruption insurance policy were recognised upon judgement by the Financial Conduct Authority.

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The directors are of the opinion that there are no accounting judgements or key sources of estimation uncertainty.

3 OTHER OPERATING INCOME	2021	2020
	£	£
Grant income	811,492	766,638
Insurance receipts	1,907,963	-
	<u>2,719,455</u>	<u>766,638</u>

The £811k (2020 - £767k) grant income relates to the UK Government's Coronavirus job retention scheme.

4 INTEREST PAYABLE AND SIMILAR CHARGES	2021	2020
	£	£
Bank loans and overdrafts	163,489	153,522
Finance lease interest	4,489	5,780
Other interest payable and similar charges	3,037	-
	<u>171,015</u>	<u>159,302</u>

HOTEL MK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

5 PROFIT BEFORE TAXATION	2021	2020
	£	£
Profit before taxation is stated after charging / (crediting)		
The analysis of auditor's remuneration is as follows:		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	16,750	12,300
Depreciation of tangible fixed assets - owned	201,233	341,555
Depreciation of tangible fixed assets - leased	22,496	22,496
Operating lease rental charge	6,120	22,179
Inventories recognised as expenses during the period	356,262	914,121

6 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

None of the directors received any remuneration in respect of their services to the Company in either year. The Company does not contribute to any pension arrangements in favour of the directors.

The monthly average number of employees of the Company during the year were:	2021	2020
	No.	No.
Administration	166	233

Staff costs incurred during the year in respect of these employees were:	£	£
Wages and salaries	2,279,459	3,509,907
Social security costs	151,265	201,840
Pension costs	61,378	79,395
Agency costs	14,965	336,104
	<u>2,507,067</u>	<u>4,127,246</u>

7 TAX ON PROFIT	2021	2020
	£	£
Current tax		
United Kingdom corporation tax at standard rate of 19% (2020 - 19%) based on the profit for the year	-	-
Group relief payable	1,662,566	1,136,492
Adjustment in respect of prior periods	(44,145)	561,020
Total current tax charge	<u>1,618,421</u>	<u>1,697,512</u>
Deferred tax	£	£
Origination and reversal of timing differences	(5,011)	4,950
Adjustment in respect of previous periods	8,425	33
Effect of tax rate change on opening balances	(41,419)	(15,215)
Total tax charge per profit and loss account	<u>1,580,416</u>	<u>1,687,280</u>

HOTEL MK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

7 TAX ON PROFIT (continued)

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

	2021	2020
	£	£
Profit before tax	2,403,898	798,649
Tax on profit at standard rate of 19% (2020 - 19%)	456,741	151,743
Fixed asset differences	(12,522)	8,536
Transfer pricing adjustments	82,218	60,604
Effects of group relief / other reliefs	(530,246)	(215,933)
Payment in respect of group relief	1,662,566	1,136,492
Adjustment to charge in respect of previous periods	(35,720)	561,053
Remeasurement of deferred tax for changes in tax rates	(42,621)	(15,215)
Total tax charge for the year	<u>1,580,416</u>	<u>1,687,280</u>
Elements of deferred tax:		
Fixed asset timing differences	(172,797)	(133,706)
Short term timing differences	(4,794)	(5,880)
	<u>(177,591)</u>	<u>(139,586)</u>

Announcements in the March 2020 budget which was substantively enacted on 17 March 2020 and subsequently enacted through Finance Act 2020 included provisions to increase the UK Corporation tax rate to 19% from 1 April 2020 and accordingly the deferred tax at 30 June 2020 was calculated at this rate. Finance Act 2021 which was substantively enacted on 24 May 2021 included provisions to increase the rate further to 25% effective from 1 April 2023. In valuing the deferred tax balances at the year-end a combination of 19% and 25% have been used based on the expected periods of reversals. There are no expiry dates on elements of deferred tax that have been recognised. Deferred tax assets and liabilities are offset only where the Company has the legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

HOTEL MK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

8 TANGIBLE FIXED ASSETS

	Plant & machinery £	Furniture & fittings £	IT equipment £	Total £
Cost				
At 1 July 2020	1,797,208	3,543,341	633,240	5,973,789
Additions	20,872	29,274	-	50,146
At 30 June 2021	<u>1,818,080</u>	<u>3,572,615</u>	<u>633,240</u>	<u>6,023,935</u>
Accumulated depreciation				
At 1 July 2020	1,583,760	3,289,748	600,779	5,474,287
Charge for the year	38,703	167,903	17,124	223,730
At 30 June 2021	<u>1,622,463</u>	<u>3,457,651</u>	<u>617,903</u>	<u>5,698,017</u>
Net book value				
At 30 June 2021	<u>195,617</u>	<u>114,964</u>	<u>15,337</u>	<u>325,918</u>
At 30 June 2020	<u>213,448</u>	<u>253,593</u>	<u>32,461</u>	<u>499,502</u>

9 STOCKS

	2021 £	2020 £
Consumables	<u>174,145</u>	<u>201,687</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

10 DEBTORS

	2021 £	2020 £
Trade debtors	217,659	236,607
Other debtors	192,774	208,740
Prepayments	63,828	100,923
Amounts owed by group companies	12,010,910	8,351,926
Deferred tax (Note 13)	177,591	139,586
	<u>12,662,762</u>	<u>9,037,782</u>

Any balance owed by group companies is repayable on demand but there is no intention of recalling these amounts unless cashflow permits. No interest is charged and the balance is unsecured.

Provisions for deferred tax relate to permanent timing differences primarily from differences between capital allowances and accumulated depreciation. The entire amount is expected to reverse in the next financial year.

HOTEL MK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2021	2020
	£	£
Bank overdraft	2,482,685	1,478,246
Trade creditors	326,055	384,405
Accruals	396,545	84,113
Other creditors	47,566	39,003
Tax and social security	256,212	591,954
Deferred income	162,121	214,887
Bank loans	354,824	276,985
Finance leases	29,681	28,367
	<u>4,055,689</u>	<u>3,097,960</u>

The Group holds an overdraft facility of £3m with Santander as part of the government's Coronavirus Business Interruption Loan Scheme. This facility has attracted interest of 2.95% above base rate since May 2021, and terminates in May 2023. The facility is secured against the assets of the Group as detailed in Note 15.

The balance owed to group undertakings is repayable on demand but the directors have received written assurances from the Board of Directors of Stadium MK Group Limited that no group company will seek repayment unless the Company's cash flow permits this. No interest is charged on these amounts and there are no securities held by group companies in relation to these amounts.

Included in tax and social security in the current year is £198,118 (2020 - £311,328) which is owed to HMRC under the VAT Deferral Scheme and will be paid in 11 equal monthly instalments which commenced in March 2021. In addition, the tax and social security balance in the prior year included £207,392 owed to HMRC in relation to PAYE which was repaid under a Time to Pay arrangement by the year-end.

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2021	2020
	£	£
Bank loans	5,917,824	4,245,501
Finance leases	55,103	84,783
	<u>5,972,927</u>	<u>4,330,284</u>

Bank loans are repayable as follows:

Within one year	354,824	276,985
In the second to fifth years inclusive	5,632,110	4,245,501
More than five years	285,714	-
	<u>6,272,648</u>	<u>4,522,486</u>

In December 2020 the Group refinanced its existing borrowings, with quarterly repayments due from January 2021 and terminating in December 2025, and acquired a further £2m of finance under the government's Coronavirus Business Interruption Loan Scheme, repayable quarterly from September 2023 and terminating in December 2026. The £6,272,648 (2020 - £4,522,486) loan drawn under the facility with Santander is secured by a corporate debenture on the assets of the group and attracts interest of 3.35% above SONIA, whilst the additional £2m loan taken out under the government's Coronavirus Business Interruption Loan Scheme attracts interest of 3.5% above base.

Finance lease are repayable as follows:

Within one year	29,681	28,367
In the second to fifth years inclusive	55,103	84,783
	<u>84,784</u>	<u>113,150</u>

HOTEL MK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Finance lease liabilities relate to the purchase of assets under hire purchase agreement with Santander and secured against the assets purchased. Assets held under finance lease are included entirely in plant and machinery and furniture and fittings with a net book value of £113,741 (2020 - £136,238).

13 DEFERRED TAX ASSET

	£
At 1 July 2020	139,586
Charged to profit and loss account	38,005
At 30 June 2021	<u>177,591</u>

Provisions for deferred tax predominantly relate to permanent timing differences primarily from differences between capital allowances and accumulated depreciation. The deferred tax asset is expected to reverse entirely during the next five years.

14 CALLED UP SHARE CAPITAL AND RESERVES

	2021	2020
	£	£
Called up, allotted, authorised and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

The Company has one class of ordinary share which carries no right to fixed income.

The Company's other reserve is the profit and loss reserve which represents the cumulative profits and losses.

15 GUARANTEES

At the balance sheet date, there were cross guarantees in place between the Company and other Group entities, as part of the group's financing arrangements. As at 30 June 2021, the balance owing on this facility was £6,272,648 (2020 - £4,522,486). Security is held as part of this facility in relation to assets owned by the Group.

16 RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of the Group headed by Stadium MK Group Limited, the Company has taken advantage of the exemption granted by paragraph 33.1 of Financial Reporting Standard 102, not to disclose transactions with 100% owned group entities.

17 ULTIMATE PARENT COMPANY

The Company is a subsidiary undertaking of Stadium MK Group Limited, a company incorporated in England and Wales. P Winkelman, a director of the Company, controls the Company as a result of controlling, directly or indirectly, 100% of the issued share capital of the Company.

The largest and smallest group which consolidates the results of the company is that headed by Stadium MK Group Limited, which is considered to be the ultimate parent company. The consolidated accounts of Stadium MK Group Limited are available to the public and may be obtained from Stadium MK, Stadium Way, Milton Keynes, MK1 1ST.