**Specialist Investment Properties plc**

# (Formerly The Hotel Corporation plc)

# Annual Report and Audited Financial Statements

**For the Year ended 31 December 2015**

**Registered in the Isle of Man No: 111066C**

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**Directors and Advisers**

|  |  |
| --- | --- |
| Directors | Derek William Short FCIB MCSI FinstD  David Peter Craine F.C.A J.P |
| **Company Secretary & Registered Office** | David Peter Craine  Burleigh Manor  Peel Road  Douglas  Isle of Man IM1 5EP |
| **Solicitors to the Company** | SJ Berwin  222 Gray’s Inn Road  London WC1X 8XF |
| **Nominated Adviser** | Sanlam Securities UK Limited  10 King William Street  London EC4N 7TW  From 14 March 2016 –  Allenby Capital Limited  3 St Helen’s Place  London  EC3A 6AB |
|  |  |
| **Stockbroker** | Sanlam Securities UK Limited  10 King William Street  London EC4N 7TW  From 14 March 2016 –  Allenby Capital Limited  3 St Helen’s Place  London  EC3A 6AB |
| **Isle of Man Advocates to the Company** | Appleby  33 Athol Street  Douglas  Isle of Man IM1 1LB |
| **Auditor** | Crowe Morgan LLC  8 St Georges St  Douglas  Isle of Man  IM1 1AH |
| **Transfer Agents and Crest Service Provider** | Neville Registrars Limited  Neville House  18 Laurel Lane  Halesowen B63 3DA |
| **Isle of Man Administration** | Peregrine Corporate Services Limited  Burleigh Manor  Peel Road  Douglas  Isle of Man IM1 5EP |

**Directors’ Report**

The Directors present their annual report on the affairs of Specialist Investment Properties plc, (“the Company”), together with the Financial Statements and Auditor’s Report for the year ended 31 December 2015.

The Corporate Governance Statement set out on page 9 forms part of this report.

### Principal Activity

The principal activity of the Company is that of a property investment Company investing in purpose built homes for adults with learning difficulties requiring support from carers, together with purpose built care homes for the elderly and infirm and converted dwellings accommodating young adults/ late teens requiring extensive support from social services.

**Results of the Company**

Revenue for the year is stated at £nil (2014: £nil). During the year ended 31 December 2015, shareholder bond interest and preference share dividend payments have not been recognised as they will not be received. See note 5 and note 11 for further details. After deducting administrative expenses, operating losses amounted to £0.2m (2014: £0.1m operating loss), resulting in a loss before tax of £0.2m (2014: £0.1m loss). No tax is payable for the year due to the zero income taxation provisions in the Isle of Man.  Basic loss per share was 0.33p (2014: loss per share 0.29p).

The Company’s net asset value per share (“NAV”), as at 31 December 2015 is 0.64p (2014: 0.97p).

**Dividend**

The Directors do not recommend a dividend for 2015 (2014: £nil).

**Annual General Meeting**

The Annual General Meeting will be held on 18 May 2016.

# Directors’ Report (continued)

### Directors

The Directors, who served during the year and subsequently, were as follows:

Appointed Resigned

D. W. Short 14 Jun 04 -

D.P. Craine 27 Jan 05 -

### Directors’ Interests

The following Directors who held office during the year ended 31 December 2015 had interests in the shares of the Company.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Ordinary Shares Of 5p** | |  | **31 December 2015** | | | **31 December 2014** | |
| Director |  | | Beneficial | Non-Beneficial | Beneficial | | Non-Beneficial |
|  |  | |  |  |  | |  |
| Derek Short |  | | 40,000 | - | 40,000 | | - |
| David Craine |  | | 18,000 | - | 18,000 | | - |

The above is prior to the changes to capital (see notes 14). Their holding post the changes is:-

Derek Short

Ordinary shares of 1p each 2,000

Deferred shares of 99p each 2,000

David Craine

Ordinary shares of 1p each 900

Deferred shares of 99p each 900

**Substantial Shareholdings**

On 3 March 2016 the Company had been notified of the following interests in the ordinary share capital of the Company.

|  |  |  |
| --- | --- | --- |
| **Name of Holder** | **Number** | **Percentage** |
|  |  |  |
| Pershing Nominees Limited | 13,517,996 | 27.13 |
| Nortrust Nominees Limited | 3,750,000 | 7.53 |
| Fitel Nominees Limited | 3,150,000 | 6.32 |
| TD Direct Investing Nominees (Europe) Limited | 1,977,059 | 3.97 |
| Dartington Portfolio Nominees Limited | 1,907,834 | 3.83 |
| Harewood Nominees Limited | 1,687,298 | 3.39 |
| Brewin Nominees Limited | 1,550,000 | 3.11 |

# Directors’ Report (continued)

**New Investing Policy and Events after the Balance Sheet Date**

Much has happened during 2015 and since the start of 2016. On 16 September 2016 the Company adopted a new Investing Policy. On 25 February 2016, the Company completed a share capital reorganisation and a fund-raising to enable it to begin implementing this new investment policy.

The Investing Policy is for the Company to become an investment property company, acquiring and holding freehold properties (and, in rare cases, long lease-hold properties) in specialised sectors of the property market. The initial and primary focus is to make investments in purpose-built homes for adults with learning difficulties requiring support from carers (for example adults with autism), purpose-built care homes for the elderly and infirm and converted dwellings accommodating young adults/late teens requiring extensive support from social services. The Investing Policy for the Company will also allow it to invest in other specialist areas such as wedding and conference centres, other leisure facilities and, if sufficiently non-mainstream, residential or commercial property.

Through the fund-raising the Company raised proceeds of approximately £2.14 million which will be used, inter alia, to acquire properties in specialised care sectors, initially focussed on children's homes, and to provide further working capital for the Company.

The Company has now begun to implement this Investment Policy with the acquisition through a subsidiary of its first two properties for £507,000 with the Company funding £188,000 and the balance borrowed. It acquired two existing children's homes in Heywood and Bury, Greater Manchester, leased to a well-established children's home care operator, on a 25-year inflation linked FRI lease. It is also in discussions to purchase two more residential properties in Birmingham to be leased to the same operator.

The Company is also in discussions with developers, property owners and care operators in relation to further acquisition opportunities, both in the children’s homes sector and supported living sector. Given the number of acquisition opportunities currently in negotiation, the Board expects the net proceeds of the fund-raising to be fully deployed within the timeframe of three to six months stated in its circular to shareholders. The initial average gross rental yield from the most advanced acquisition opportunities currently identified and in discussion is expected to exceed 8% per annum.

**Going Concern**

In light of the events as outlined in note 11, no future income and indeed no investment return from the UK Group of Hotels Plc is expected. In September 2015 the Shareholders approved a new investment policy and since that date the board has been implementing that policy (see note 14, for progress on that implementation).

Cash flow forecasts indicate that the Company will have sufficient resources to continue in the short to medium term, with the new investment policy, but an additional fund raising exercise would be necessary to further expand the investment into new properties.

The board would expect a positive outcome to the further fund raising and on that basis considers the Company to be a going concern and therefore continue to adopt the going concern basis of preparing the annual report and financial statements.

**Financial Instruments**

The use of financial instruments and policies are disclosed in note 16 of the financial statements.

**Prospects**

The new investment policy is now being implemented.

Following the fund raising in 2016 (see note 14 ) the company is now actually investing in the specialised property market and hopes to achieve the results forecast in the Circular to shareholders on 15 January 2016.

**Auditor**

The Company’s previous Auditors, Deloitte LLP, were not reappointed.

The Company appointed Crowe Morgan LLC on the 16 February 2016 to conduct the audit of the financial statements for the year ended 31 December 2015.

**D.W. Short D. P. Craine**

**Director Director and Company Secretary**

4 April 2016

Registered Office: Burleigh Manor, Peel Road, Douglas, Isle of Man, IM1 5EP

**Corporate Governance Statement**

The Board of Directors are aware of the principles of corporate governance contained in the UK Corporate Governance Code.

Although the Company’s shares have been admitted on to the Alternative Investment Market and the Company is not required to comply with the UK Corporate Governance Code, the Board monitors the Company’s established procedures or provides corporate governance disclosures to the extent that it is appropriate for the size and stage of development of the Company. The directors have chosen to give selected disclosures that they believe are necessary/valuable to readers.

The Board now comprises two non-executive Directors and is collectively responsible for all matters of good governance, and audit and remuneration committees will only be established by the Board if the Company’s activities expand to the extent where the collective responsibility of the Board is more appropriately served by the establishment of such committees.

It is the Board’s intention to contain costs and maximise income. In keeping with that policy it is not the Board’s intention to add to costs by inviting any additional directors to join the Board at this time.

The Board considers that it has the necessary expertise and experience to manage the Company in its present form, but will keep the situation under review.

**Internal Control**

Accounting, administration and company secretarial services are provided to the Company by Peregrine Corporate Services Limited (“PCS”). PCS are a licensed Fiduciary Service Provider regulated by the Isle of Man Financial Services Authority. David Craine was a director of PCS, but resigned that position on 1 May 2015, see related party note 15.

**Relations with Shareholders**

The Board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place, assisted by our broker who undertakes this function and reports back to the Board.

**Directors’ Remuneration**

All Board members are non-executive Directors. Fees paid in the year are disclosed below.

|  |  |  |
| --- | --- | --- |
|  | **2015** | **2014** |
|  | **£’000** | **£’000** |
|  |  |  |
| Derek Short | 24 | 26 |
| David Craine | 14 | 13 |
| Irrecoverable Value Added Tax | - | 2 |
| Total | 38 | 41 |
|  |  |  |

All Directors are reimbursed for necessary travelling and subsistence costs incurred in attending Board and other meetings. The Company has no share option or pension schemes. Other than as disclosed above no other emoluments, incentive schemes or compensation for loss of office has been paid to any Director.

There have been no substantial changes relating to Directors’ Remuneration made during the year.

**Directors’ Responsibilities Statement**

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

Isle of Man 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 International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. Under Isle of Man 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 the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting standards;

* present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
* make an assessment of the Company’s ability to continue as a going concern; and
* provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance.

The directors are responsible for keeping proper 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 Companies Acts 1931 to 2004. They are also responsible for the system of internal control, for safeguarding the assets of the Company 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 website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Report on the Company Financial Statements**

We have audited the financial statements (“the financial statements”) of Specialist Investment  
Properties plc for the year ended 31 December 2015, which comprise the Company Statement of  
Comprehensive Income, Company Statement of Financial Position, Company Statement of Changes in Equity, Company Statement of Cash Flows and the related notes 1 to 16. 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.

**Directors’ Responsibility for the Financial Statements**  
The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with applicable Isle of Man law and International Financial Reporting Standards as adopted by the European Union, 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.

**Auditor’s Responsibility**  
Our responsibility is to express an opinion on these financial statements based on our audit. This  
report, including the opinion, has been prepared for and only for the company’s members as a body in accordance with Section 15 of the Isle of Man Companies Act 1982 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

**Opinion**  
In our opinion:

• the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union;

• the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004.

**Matters on which we are required to report by exception**  
We have nothing to report in respect of the following matters where the Isle of Man Companies Acts 1931-2004 require us to report to you if, in our opinion:

• proper books of account have not been kept by the parent company or, proper  
returns adequate for our audit have not been received from branches not visited by  
us; or  
• the parent company’s balance sheet is not in agreement with the books of account  
and returns; or  
• we have not received all the information and explanations necessary for the purposes  
of our audit; and  
• certain disclosures of directors’ loans and remuneration specified by law have not  
been complied with.

**8 St George’s Street Crowe Morgan**  
**Douglas, Chartered Accountants**

**Isle of Man**   
**IM1 1AH**  
**Dated:**

**Company Statement of Comprehensive Income**

**For the year ended 31 December 2015**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **2015** |  | **2014** |
|  | **Notes** | **£’000** |  | **£’000** |
|  |  |  |  |  |
| **Continuing Operations** |  |  |  |  |
|  |  |  |  |  |
| Administrative expenses |  | (168) |  | (144) |
|  |  |  |  |  |
| Operating loss |  | (168) |  | (144) |
|  |  |  |  |  |
| Bank interest receivable |  | 2 |  | 2 |
|  |  |  |  |  |
| Loss before taxation |  | (166) |  | (142) |
|  |  |  |  |  |
| Taxation | 6 | - |  | - |
|  |  |  |  |  |
|  |  |  |  |  |
| **Loss for the year and total comprehensive loss for the year** | 5 | **(166)** |  | **(142)** |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| **Loss per share** |  |  |  |  |
|  |  |  |  |  |
| Basic and diluted | 8 | (0.33p) |  | (0.29p) |
|  |  |  |  |  |
| The accompanying notes on pages 18 to 31 are an integral part of these financial statements. | | | | |

**Company Statement of Financial Position**

**As at 31 December 2015**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Assets** | **Notes** | | **2015** | | | |  | **2014** | | | | |
|  |  |  | **£’000** | **£’000** | | |  | **£’000** | | **£’000** | | |
|  |  |  |  |  | | |  |  | |  | | |
| **Current Assets** |  |  |  |  | | |  |  | |  | | |
|  |  |  |  |  | | |  |  | |  | | |
| Trade and other receivables | 9 |  | 8 |  | | |  | 8 | |  | | |
| Cash and cash equivalents |  |  | 333 |  | | |  | 501 | |  | | |
|  |  |  |  | 341 | | |  |  | | 509 | | |
|  |  |  |  |  | | |  |  | |  | | |
| **Total Assets** |  |  |  | 341 | | |  |  | | 509 | | |
|  |  |  |  |  | | |  |  | |  | | |
| **Liabilities** |  |  |  |  | | |  |  | |  | | |
|  |  |  |  |  | | |  |  | |  | | |
| **Current Liabilities** |  |  |  |  | | |  |  | |  | | |
|  |  |  |  |  | | |  |  | |  | | |
| Trade and other payable**s** | 10 |  | 23 |  | | |  | 25 | |  | | |
|  |  |  |  |  | | |  |  | |  | | |
| **Total Liabilities** |  |  |  | (23) | | |  |  | | (25) | | |
|  |  |  |  |  | | |  |  | |  | | |
| **Net Assets** |  |  |  | 318 | | |  |  | | 484 | | |
|  |  |  |  |  | | |  |  | |  | | |
| **Equity** |  |  |  |  | | |  |  | |  | | |
|  |  |  |  |  | | |  |  | |  | | |
| Share capital | 12 |  | 2,491 |  | | |  | 2,491 | |  | | |
| Share premium account | 12 |  | 11,015 |  | | |  | 11,015 | |  | | |
| Retained losses |  |  | (13,188) |  | | |  | (13,022) | |  | | |
|  |  |  |  |  | | |  |  | |  | | |
| **Equity attributable to owners of the Company** |  |  |  | 318 | | |  |  | | 484 | | |
|  |  |  |  |  | | |  |  | |  | | |
| **Shareholders’ Equity** |  |  |  | 318 | | |  |  | | 484 | | |
|  |  |  |  |  | | |  |  | |  | | |
| Net Asset Value per share |  |  |  | 0.64p | | |  |  | | 0.97p | | |
| (Based on number of shares in issue at year end) | | | |  |  |  | | |  | |  |  | |  |

The financial statements were approved by the Board of Directors and authorised for issue on 4th April 2016.

They were signed on its behalf by;

………………. ……………….

**Derek Short David Craine**

The accompanying notes on pages 18 to 31 are an integral part of these financial statements.

**Company Statement of Changes in Equity**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **For the year ended 31 December 2015** | | | | | | | | | | | | | | | | |
|  |  | |  | |  | |  | | |  | |  | |  | | |
|  | | **Notes** | |  | | **Share Capital**  **£’000** |  | **Share Premium Account £’000** |  | | **Retained losses**  **£’000** | |  | | | **Total**  **£’000** |
|  | |  | |  | |  |  |  |  | |  | |  | | |  |
|  | |  | |  | |  |  |  |  | |  | |  | | |  |
| **Balance at 1 January 2014** | |  | |  | | 2,491 |  | 11,015 |  | | (12,880) | |  | | | 626 |
|  | |  | |  | |  |  |  |  | |  | |  | | |  |
|  | |  | |  | |  |  |  |  | |  | |  | | |  |
| Total Comprehensive Loss for the year | |  | |  | | **-** |  | - |  | | (142) | |  | | | (142) |
| Dividends | | 7 | |  | | **-** |  | - |  | | - | |  | | | - |
|  | |  | |  | |  |  |  |  | |  | |  | | |  |
|  | |  | |  | |  |  |  |  | |  | |  | | |  |
| **Balance at 31 December 2014** | |  | |  | | **2,491** |  | **11,015** |  | | **(13,022)** | |  | | **484** | |
|  | |  | |  | |  |  |  |  | |  | |  | |  | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Total Comprehensive Loss for the year |  |  | **-** |  | - |  | (166) |  | (166) |
| Dividends | 7 |  | **-** |  | - |  | - |  | - |
|  |  |  |  |  |  |  |  |  |  |
| **Balance at 31 December 2015** |  |  | **2,491** |  | **11,015** |  | **(13,188)** |  | **318** |

The accompanying notes on pages 18 to 31 are an integral part of these financial statements.

**Company Statement of Cash Flows**

**For the year ended 31 December 2015**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Notes** | | **2015**  **£’000** |  | **2014**  **£’000** |
|  |  | |  |  |  |
| **Net cash used in operating activities** | | 13 | (170 ) |  | (143) |
|  | |  |  |  |  |
| **Cash flows from investing activities** | |  |  |  |  |
|  | |  |  |  |  |
| Interest received | |  | 2 |  | 2 |
|  | |  |  |  |  |
| Net cash generated by investing activities | |  | 2 |  | 2 |
|  | |  |  |  |  |
|  | |  |  |  |  |
| **Cash flows from financing activities** | |  |  |  |  |
|  | |  |  |  |  |
| Dividends paid | |  | - |  | - |
|  | |  |  |  |  |
| Net cash used in financing activities | |  | - |  | - |
|  | |  |  |  |  |
|  | |  |  |  |  |
|  | |  |  |  |  |
| **Net decrease in cash and cash equivalents** | |  | (168) |  | (141) |
|  | |  |  |  |  |
|  | |  |  |  |  |
| **Cash and cash equivalents at beginning of year** | |  | 501 |  | 642 |
|  | |  |  |  |  |
| **Cash and cash equivalents at end of year** | |  | 333 |  | 501 |

The accompanying notes on pages 18 to 31 are an integral part of these financial statements.

**Notes to the Company Financial Statements**

**1. General Information**

Specialist Investment Properties plc is incorporated in the Isle of Man under the Companies Acts 1931 to 2004. The address of the registered office is given on page 8. The nature of its principal activities is set out in the Directors’ Report on pages 5 to 8. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates and is rounded to the nearest thousand pounds.

**2. Adoption of new and revised Standards**

In the current year, the following new and revised Standards and Interpretations have been adopted. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

1. IFRIC 21 Levies
2. Annual improvements to IFRSs: 2010-2012 Cycle (Dec 2013)
3. Annual improvements to IFRSs: 2011-2013 Cycle (July 2014)
4. Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

**New standards and interpretations not yet adopted**

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

i. Amendments to IFRS 10, IFRS 12 and IAS 28 – Investments Entities: Applying the Consolidation Exception  
ii. Amendments to IAS 1 – Disclosure Initiative  
iii. Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate of Joint Venture  
iv. Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses  
v. IFRS 9 – Financial Instruments  
vi. Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants  
vii. IFRS 15– Revenue from Contracts with Customers  
viii. Amendments to IAS 7 – Disclosure Initiative  
ix. IFRS 16 - Leases  
x. Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of  
Depreciation and Amortisation  
xi. Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint   
Operations.

**Notes to the Company Financial Statements (Continued)**

**New standards and interpretations not yet adopted (Continued)**

xii. IFRS 14 – Regulatory Deferral Accounts

xiii. Annual Improvements to IFRSs: 2012-14 Cycle (Sept 2014)

The directors do not expect that the adoption of these standards listed above will have a material impact on the financial statements of the Company in future periods, except for IFRS 9 – Financial instruments, which will impact both the measurement and disclosure of Financial Instruments, and IFRS 15 – Revenue from Contracts with Customers, which may have an impact on revenue recognition and related disclosures. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards, until a detailed review has been completed.

**Notes to the Company Financial Statements (Continued)**

**3. Significant accounting policies**

**Basis of accounting**

The Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and IASB. The financial statements have been prepared on the historical cost basis, except for the revaluation of the investment in the Company’s subsidiary UK Group of Hotels. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

**Basis of Preparation**

These separate financial statements are the only financial statements presented by the Company.

**Revenue recognition**

Note 11 explains that the UK Group of Hotels plc and all of its subsidiary companies were placed into dissolution. The directors have considered the detailed recognition criteria in IAS 18 Revenue, as in particular, as to whether it is probable that economic benefits associated with transactions will flow to the Company, from interest on bonds and preference share dividends. Following consideration of the conditions, the Company has not recognised revenue due in the current period or any earlier period with effect from January 2012.

**Going Concern**

In light of the events as audited in note 11, no future income and indeed no investment return from the UK Group of Hotels Plc is expected. In September 2015 the Company approved a new investment policy and since that date the board has been implementing that policy (see note 14, per progress on that implementation).

Cash flow forecasts indicate that the Company will have sufficient resources to continue in the short to medium term, until the new investment policy, but a further fund raising exercise would be necessary to further expand the investment into new properties.

The board would expect a positive outcome to the further fund raising and on that basis considers the Company to be a going concern and therefore continue to adopt the going concern basis of preparing the annual report and financial statements.

**Notes to the Company Financial Statements (Continued)**

**Dividend and interest income recognition**

Dividend income from investments is recognised when the shareholders’ rights to receive payment have been established provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably.

**Cash and Cash Equivalents**

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

**Financial instruments**

Financial assets and financial liabilities are recognised in the Company’s statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

**Financial Assets**

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets of the Company are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL), and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

**Financial assets at FVTPL**

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

* it has been acquired principally for the purpose of selling in the near term; or
* on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
* it is a derivative that is not designated and effective as a hedging instrument.

**Notes to the Company Financial Statements (Continued)**

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

* such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
* the financial asset forms part of a Company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company’s document risk management or investment strategy, and information about the grouping is provided internally on that basis; or
* it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the ‘other gains and losses’ line item in the income statement. Fair value is determined in the manner described in note 11.

**Derecognition of financial assets**

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**Financial liabilities and equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

**4. Business and geographical segments**

All bank interest is derived from the Isle of Man

**Notes to the Company Financial Statements (Continued)**

**5. Loss for the year**

Loss for the year has been arrived at after charging:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **2015** |  | **2014** |
|  |  | **£’000** |  | **£’000** |
|  |  |  |  |  |
| Audit fees payable for the audit of the Company’s annual accounts |  |  |  |  |
| * Current year |  | 10 |  | 13 |
| * Prior year under provision |  | 9 |  | **-** |
| Impairment loss on trade receivables |  | **-** |  | **-** |
|  |  | 19 |  | 13 |
|  |  |  |  |  |

**6.** **Company Tax on loss on ordinary activities**

A 0% rate of corporate income tax is applicable to the Company’s income and therefore no provision for liability to Manx income tax has been included in these financial statements.

1. **7. Dividends**
2. The Directors do not recommend the payment of a dividend in respect of the year to 31 December 2015 (2014: £nil).

**8. Loss per share**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| |  |  |  |  | | --- | --- | --- | --- | |  | **2015** |  | **2014** | |  | **£’000** |  | **£’000** | | Loss for the purposes of basic earnings per share being loss attributable to owners of the Company | (166) |  | (142) |  | |  |  |  |  | | | | | | |  |  |  |  | 42,448,091 |
| |  |  |  |  | | --- | --- | --- | --- | |  |  |  |  | |  |  |  |  | | **Number of Shares** | **2015** |  | **2014** | |  | **No.** |  | **No.** | | Weighted average number and diluted ordinary shares for the purpose of basic loss per share | 49,819,050 |  | 49,819,050 | |  |  |  |  | | **Loss per share** |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | | Basic and diluted | (0.33p) |  | (0.29p) | | | | | | |
|  | |

**Notes to the Company Financial Statements (continued)**

**9. Trade and Other Receivables**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | |  | |  | | **2015**  **£’000** | | |  | | **2014**  **£’000** | |  | |
| **Amounts falling due within one year** | |  | |  | |  | | |  | |  | |  | |
| Prepayments and accrued income | |  | |  | | 8 | | |  | | 8 | |  | |
|  | |  | |  | | 8 | | |  | | 8 | |  | |
|  | |  | |  | |  |  | |  | |  | |

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. All receivables are less than 180 days and are not past due or impaired.

# 10. Trade and Other Payables

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | |  | |  | **2015**  **£’000** | |  | | | **2014**  **£’000** | |  | |
| **Amounts falling due within one year** | |  | |  |  | |  | | |  | |  | |
| Accruals and deferred income | |  | |  | 23 | |  | | | 25 | |  | |
|  | |  | |  | 23 | |  | | | 25 | |  | |
|  | |  | |  |  | |  |  | |  | |

The directors consider the carrying value of Trade and Other Payables is approximately equal to their fair value.

**11. Investments**

**Ordinary Shares, Preference Shares and Bonds held in UK Group of Hotels plc**

The investment is carried at £Nil value which is also considered to be the fair value in accordance with IAS39, Financial Instruments Recognition and Measurement.

UK Group of Hotels plc, as previously reported went into administration on 4th August 2014.

In a report from the Administrators dated 27 January 2015 it was stated that there would be no return for ordinary shareholders, preference shareholders or debenture holders. The investment in all forms into UK Group of Hotels plc has no present or future value.

In a report dated 11 September 2015 the Administrators have advised that their term of office would cease after one year and expect a notice to move from administration to dissolution and three months thereafter the companies would be dissolved.

**Notes to the Company Financial Statements (continued)**

As the company is to be placed into dissolution and the administrators have advised there will be no return to shareholders the Directors have derecognised the company’s investment in UK Group of Hotels plc in accordance with the accounting policy adopted by the company as described in note 3.

**12. Share Capital**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Authorised: Ordinary Shares of £0.05** | |  | |  |  | |
|  | | **Number** | |  | **£’000** | |
|  | |  | |  |  | |
| As at 31 December 2015 | | 80,000,000 | |  | 4,000 | |
|  | |  | |  |  | |
| **Issued and fully paid: Ordinary Shares of £0.05** | |  | |  |  | |
|  | | **Number** | |  | **£’000** | |
| Balance at start of year | | 49,819,050 | |  | 2,491 | |
| Issued during year | | - | |  | - | |
|  | |  | |  |  | |
| As at 31 December 2015 | | 49,819,050 | |  | 2,491 | |
|  |  |  |  | | |

The Company had one class of ordinary shares which carry no right to fixed income. See note 14 for changes to share capital post Balance sheet.

**Share Premium Account**

On 29 June 2009 the Company issued 15,200,000 new ordinary shares of 5p each at a placing price of 80p resulting in 75p premium on each share, a total of £11,400,000 premium. Placing costs of £385,000 were deducted from the premium achieved resulting in a net share premium of £11,015,000. See note 14 for changes to Share Premium post-balance sheet.

The Share Premium account has been affected by the fund raising in 2016 – see note 14 for further details.

**Notes to the Company Financial Statements (continued)**

**13. Notes to the Statement of Cash Flows**

Reconciliation of operating loss to net cash generated by operating activities:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **2015**  **£’000** |  |  |  | **2014**  **£’000** |
|  |  |  |  |  |  |  |  |  |
| Operating loss |  |  |  | (168) |  |  |  | (144) |
|  |  |  |  |  |  |  |  |  |
| Adjustments for: |  |  |  |  |  |  |  |  |
| Decrease/(increase) in Trade and other Receivables |  |  |  | - |  |  |  | 1 |
| (Decrease)/increase in Trade and other payables |  |  |  | (2) |  |  |  | - |
|  |  |  |  |  |  |  |  |  |
| **Net cash used in operating activities** |  |  |  | (170) |  |  |  | (143) |
|  |  |  |  |  |  |  |  |  |

**14. Events after the Balance Sheet Date**

On 15January a Circular was sent to all shareholders proposing a Capital Restructuring together with a Placing and Open offer of 12,454,765 New Ordinary shares at 20 pence per share and the issue of up to 4,151,485 Warrants. At the same time the Company would change its name to Specialist Investment Properties plc to more properly reflect its business.

At an Extraordinary General Meeting held on 8 February 2016, resolutions were passed to:

1. Consolidate and sub-divide the Company’s issued share capital
2. To sub-divide the Company’s remaining unissued share capital

A special resolution was also passed to change the Company’s name.

On 23February 2016 the company announced the conclusion of rounds 1 and 2 of the Open offer. Valid acceptances for 713,142 Open Offer Shares had been received. A further 10,000,000 New Shares would be issued under the placing. Warrants totalling 3,571,035 will also be issued to open offer and placing shares.

**Notes to the Company Financial Statements (continued)**

Following admission for trading on the AIM on 25 February 2015, the Company’s issued share capital will consist of 13,204,095 ordinary shares, all with voting rights, together with deferred 99p, shares with no voting rights.

The open offer and placement raised £2,142,628 from which approximately £130,700 of fund raising expenses will be deducted.

The Company has now started implementing its new investment policy and on 1st March announced it had acquired its first two properties.

The Company has incorporated three subsidiaries after the balance sheet date. Secta Limited is a Joint Venture vehicle which is owned 70%, with 30% owned by Mr Mark Dyson as outlined in the Circular to Shareholders.

In turn, Secta Ltd has its own 100% subsidiary, Secta Properties Limited which will acquire the properties subject to the joint venture agreement.

Finally the third subsidiary SIPP Holdings Limited is 100% owned by the company and will be used to acquire properties which are not subject to the Joint Venture.

All three subsidiary companies are registered in the Isle of Man.

**15. Related Party Transaction**

**Immediate and Ultimate Controlling Party**

In the opinion of the Directors there is no immediate and ultimate controlling party.

**Key Management Compensation**

The remuneration of the Directors of the Company, who are the key management personnel, is set out below:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Company** |  |  |  | **Company** |
|  |  |  | **2015**  **£’000** |  |  |  | **2014**  **£’000** |
|  |  |  |  |  |  |  |  |
| Short-term employee benefits and directors fees |  |  | 38 |  |  |  | 41 |
| **Total** |  |  | **38** |  |  |  | **41** |

David Craine was a Director of Peregrine Corporate Services Limited, (PCS), the Company which provides accountancy, administration and secretarial services to Specialist Investment Properties plc. Fees, including VAT, of £33,850 (2014: £33,676) were paid to PCS during the year. Mr Craine resigned as a director of PCS on 1 May 2015.

Derek Short’s directors fees are paid to English and Continental Properties Limited.

David Craine’s directors fees are paid to Burleigh Offshore Services Limited.

**Notes to the Company Financial Statements (continued)**

**16. Financial Instruments**

**Capital risk management**

The Company manages its capital to ensure that the Company will be able to continue as a going concern, this is achieved by maintaining sufficient liquid resources to meet ongoing liabilities as they fall due, including payment of dividends, while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, share premium and retained losses. The Company does not have a target gearing ratio.

The Company is not subject to any externally imposed capital requirements. Equity includes all capital and reserves of the Company that are managed as capital.

**Significant accounting policies**

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

**Categories of financial instruments**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Company** |  | **Company** |
|  |  | **2015 £’000** |  | **2014 £’000** |
|  |  |  |  |  |
| **Financial assets** |  |  |  |  |
| Investment at fair value through profit and loss |  | - |  | - |
| Cash and cash equivalents |  | 333 |  | 501 |
| Loans and receivables |  | 8 |  | 8 |

The investment at fair value through profit and loss which includes the bonds and the preference shares is designated level three (2015: level three) financial assets and liabilities within the definitions of IFRS 13, Fair Value Measurement. As per note 11, the investment held by the Company has been valued at £nil as at 31 December 2015 (2014: £nil). Notes 3, and 11 detail the valuation techniques used by the Company in determining the fair value and note 11 details the reasons why the investment is valued at £nil. There have been no gains or losses recognised in the year, nor any purchases or disposals or transfer between levels in the fair value hierarchy.

At the end of the reporting year, there are no significant concentrations of credit risk for loans and receivables. The carrying amount reflected above represents the Company’s maximum exposure to credit risk for such loans and receivables.

**Notes to the Company Financial Statements (continued)**

**16. Financial Instruments (continued)**

**Financial risk management objectives**

The Board of Directors monitor and manage financial risks, relating to the operation of the Company, through periodic assessment of its exposure to them. These risks include interest rate risk, credit risk, cash flow interest rate risk and liquidity risk.

**Market risk**

There has been no change to the Company’s exposure to market risks or the manner in which these risks are managed and measured. The Company is not exposed to any financial risks arising from changes in foreign currency exchange rates or interest rates.

**Foreign currency risk management**

Company operations are based in the Isle of Man and all assets and liabilities are denominated in sterling. As a result the Company has no exposure to foreign currency risk.

**Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Company Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company’s short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows.

**Liquidity risk tables**

The following table details the Company’s expected maturity for its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary to understand the Company’s liquidity risk management as the liquidity is managed on a net asset and liability basis.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Weighted average effective interest rate | Less than 1 month | 1-3 months | 3 months to 1 year | 1-5 years | 5+ years | Total |
|  | % | £’000 | £’000 | £’000 | £’000 | £’000 | £’000 |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **31 December 2015** |  |  |  |  |  |  |  |
| Non-interest bearing |  | - | - | - | - | - | - |
| Variable interest rate instruments | < 1% | 325 | - | - | - | - | 325 |
|  |  |  |  |  |  |  |  |
|  |  | 325 | - | - | - | - | 325 |

**Notes to the Company Financial Statements (continued)**

**16. Financial Instruments (continued)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Weighted average effective interest rate | | Less than 1 month | | | 1-3 months | | | | 3 months to 1 year | | | 1-5 years | | | | 5+ years | | | | Total | | |
|  | % | | £’000 | | | £’000 | | | | £’000 | | | £’000 | | | | £’000 | | | | £’000 | | |
| **31 December 2014** |  | |  | |  | | |  | | | |  | | | |  | | |  | | | |
| Non-interest bearing |  | | - | | - | | | | - | | | | | - | | | - | | | - | | | | |
| Variable interest rate instruments | 0.35 | | 493 | | - | | | | - | | | | | - | | | - | | | 493 | | | | |
|  |  | |  | |  | | | |  | | | | |  | | |  | | |  | | | | |
|  |  | | 493 | | - | | | | - | | | | | - | | | - | | | 493 | | | | |
|  | |  | |  | | |  | | | |  | | | |  | | |  | | | |  | |

The amounts included above for variable interest rate instruments for non-derivative financial assets is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the reporting date.

The following table details the remaining contractual maturity for its non-derivative financial liabilities with agreed repayment dates. The table has been drawn up based on the discounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Weighted average effective interest rate | | Less than 1 month | | | 1-3 months | | | | 3 months to 1 year | | | 1-5 years | | | | 5+ years | | | | Total | | |
|  | % | | £’000 | | | £’000 | | | | £’000 | | | £’000 | | | | £’000 | | | | £’000 | | |
| **31 December 2015** |  | |  | |  | | |  | | | |  | | | |  | | |  | | | |
| Non-interest bearing |  | | - | | 23 | | | | - | | | | | - | | | - | | | 23 | | | | |
| Variable interest rate instruments | - | | - | | - | | | | - | | | | | - | | | - | | | - | | | | |
|  |  | |  | |  | | | |  | | | | |  | | |  | | |  | | | | |
|  |  | | - | | 23 | | | | - | | | | | - | | | - | | | 23 | | | | |
|  | |  | |  | | |  | | | |  | | | |  | | |  | | | |  | |

**Notes to the Company Financial Statements (continued)**

**16. Financial Instruments (continued)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Weighted average effective interest rate | | Less than 1 month | | | 1-3 months | | | | 3 months to 1 year | | | 1-5 years | | | | 5+ years | | | | Total | | |
|  | % | | £’000 | | | £’000 | | | | £’000 | | | £’000 | | | | £’000 | | | | £’000 | | |
| **31 December 2014** |  | |  | |  | | |  | | | |  | | | |  | | |  | | | |
| Non-interest bearing |  | | - | | 25 | | | | - | | | | | - | | | - | | | 25 | | | | |
| Variable interest rate instruments |  | | - | | - | | | | - | | | | | - | | | - | | | - | | | | |
|  |  | |  | |  | | | |  | | | | |  | | |  | | |  | | | | |
|  |  | | - | | 25 | | | | - | | | | | - | | | - | | | 25 | | | | |
|  | |  | |  | | |  | | | |  | | | |  | | |  | | | |  | |