Company Registration No. 01274376 (England and Wales)

MALLORY COURT HOTEL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

MALLORY COURT HOTEL LIMITED

COMPANY INFORMATION

Directors	Sir P Rigby Mrs M Cartter
Company number	01274376
Registered office	Harbury Lane Bishops Tachbrook Leamington Spa Warwickshire CV33 9QB
Auditor	Ormerod Rutter Limited The Oakley Kidderminster Road Droitwich Worcestershire WR9 9AY

MALLORY COURT HOTEL LIMITED

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MALLORY COURT HOTEL LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present the strategic report for the year ended 31 March 2019.

Background
The Company is a subsidiary of Eden Hotel Collection ("EHC"), a group consisting of a portfolio of nine luxury sites across the Midlands, Cotswolds & South West, with a total of 254 hotel bedrooms and 22 three bedroom lodges.

- Bovey Castle Estate, Dartmoor
- Mallory Court Country House Hotel & Spa, Royal Leamington Spa
- Arden Hotel, Stratford-upon-Avon
- Arden House - Stratford-upon-Avon
- Brockencote Hall, Chaddesley Corbett
- The Greenway Hotel & Spa, Cheltenham
- The Mount Somerset Hotel & Spa, Near Taunton
- The Kings Hotel - Chipping Campden
- Buckland Tout-Saints - Kingsbridge

Multi award winning, EHC is widely recognised as one of UK's Top 5 privately owned group of luxury boutique hotel operators. The collection sits in the traditional hotels sector and dominates the 4 & 5 red star market. EHC operates within the non-branded core hotel, restaurant and spa space with notable affiliates being Small Luxury Hotels of the World, Pride of Britain and Relais & Chateaux. The business operates across the leisure, corporate, M&E markets and, without exception, ranks in local and regional territories as 'best in class'. A leading operator of weddings, both local and destination, makes the group a stand out performer in this space, whilst excellence around food is a cornerstone of the business, as is the luxury spa brand 'Elan' which now operates at 4 key locations.

Review of business
During the year EHC launched a 'Spa Academy' alongside its award winning 'Chef Academy' and plans to extend apprenticeship programs in FY20. Alongside this it remains committed to Learning & Development with an online training platform planned for early FY20 to further increase access to development for the teams.

Reputationally EHC has continued to deliver excellence around hospitality and service and has been recognised as such again this year with a clutch of independent, consumer and industry awards & accolades. Use of Trust You as a reputation management tool supports a continued focus on the customer and service.

EHC is a subsidiary of Rigby Group (RG) plc ("Rigby Group"). Rigby Group is the parent company for a portfolio of family-owned and highly successful businesses operating across Europe and the Middle East. Diversifying from its origins as a principally technology-led business, Rigby Group plc has evolved across the last 42 years - through smart, strategic acquisitions - into a British success story with over 7,500 employees. Rigby Group comprises six divisions: Technology, Airports, Hotels, Real Estate, Aviation and Finance. Rigby Group is a values-led business built around five core principles: operational excellence, independent thinking, building partnerships, working with passion and caring for its stakeholders. Further information is available at www.rigbygroupplc.com.

The company saw turnover increase by £154,000 to £4,211,000 in 2019 whilst operating loss decreased by £61,000 to £651,000. Performance continued to be impacted by significant local disruption owing to housing estate build projects and short term increased costs related to the opening of the spa building in 2018.

The directors anticipate that the performance of the company will improve in the foreseeable future as best practice is shared across the group. In particular, opportunities exist as local disruption eases as well as to benefit from a larger direct local market.

As at 31st March 2019 the company had net assets of £10,994,000, an increase of £3,457,000 from the prior year end following the issue of £4,000,000 of shares at par.

MALLORY COURT HOTEL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

Principal risks and uncertainties
The group uses various financial instruments. These include loans from related undertakings; cash and overdrafts; preference shares; loans from banks and various working capital items such as trade debtors and trade creditors which arise from its operations. The main purpose of these financial instruments is to raise finance for the group's operations. The existence of these financial instruments exposes the group to a number of financial risks, the principal ones of which are market risk, interest rate risk, liquidity risk and credit risk. The principal commercial risks facing the group centre on economic conditions, competition and property valuations.

Market risk
Property values are cyclical, so the business will always be subject to variations in valuations. The group takes a long term view, with less focus on short term fluctuations, and more emphasis on underlying revenue generation and capital enhancement programmes when assessing valuations of properties.

Interest rate risk and financing risk
The group finances its operations primarily through investments made by related parties, including preference shares held by the principal shareholder and preferred ordinary shares held by Rigby Group (RG) plc ("Rigby Group").

In addition, there are short term banking facilities including a bank loan secured over the freehold property of Bovey Castle owned by the group. The group's exposure to interest rate fluctuations on its borrowings is managed actively to ensure that competitive rates are obtained, matched to the group's long term funding requirements. As part of its bank facilities, the group is subject to a number of financial covenant tests which it monitors on a regular basis.

Liquidity risk
The group seeks to manage financial risks by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The group's operations are financed primarily by shareholders and bank borrowings.

Credit risk
The group's principal credit risk relates to the recovery of trade debtors, although it is not considered significant due to the nature of the group's business. Amounts owed by credit card companies represent a more significant proportion of the group's trade debtors. However, the directors consider credit risk to be limited due to the terms that the group has with the credit card companies. In order to manage credit risk related to other trade debtors, credit controllers and the directors review the aged debtors and collection history on a regular basis, and a high level of deposits are taken.

Economic conditions
The division operates in an industry which is impacted by consumer discretionary spending levels. The division's coverage, not being concentrated in one location or region together with the fact that the hotels operate in a variety of markets, including corporate, leisure, conference and functions, provides adequate sheltering from the impact of any drop in consumer spending levels.

Competition
The division operates in competitive markets. Product and service offerings by competitors could adversely impact the division. The division's focus on quality and standards, the quality of operations, strong focus on quality on cost control, continual investment in its hotels and products, combined with the unique, award winning hotels in sought after locations reduces the possible effect of any single competitor. Significant efforts are made to develop the division's brand and ensure new business is won continually, and key customer relationships are monitored on a regular basis. The division focuses on areas where it has a competitive advantage including quality, and the development of its staff to provide high levels of service.

On behalf of the board

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Sir P Rigby
Director
23/9/19

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report and financial statements for the year ended 31 March 2019.

Principal activities
The principal activity of the company is the ownership, operation and management of the Mallory Court Country House Hotel & Spa, a 43 bed luxury Lutyen style manor house hotel set in 10 acres of grounds near Royal Leamington Spa, Warwickshire. Mallory Court is one of the Midland's finest luxury hotel, conference and wedding venues, which has been a member of Relais & Chateaux since 1983 and features an award winning restaurant.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Sir P Rigby
Mrs M Cartter

Results and dividends
The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Auditor
The auditors, Ormerod Rutter Limited, will be proposed for re-appointment in accordance with Section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities
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). 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;
- 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.

Disclosure in the strategic report
A separate Strategic Report has been prepared in compliance with Companies Act 2006 and contains information about likely future developments, and an assessment of the principal risks and uncertainties to the company.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

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Sir P Rigby

Director

Date: 23/9/19

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MALLORY COURT HOTEL LIMITED

Opinion

We have audited the financial statements of Mallory Court Hotel Limited (the 'company') for the year ended 31 March 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MALLORY COURT HOTEL LIMITED

Matters on which we are required to report by exception
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 material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, 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.

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 Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Ormerod Rutter Limited

Colm McGrory FCA (Senior Statutory Auditor)
for and on behalf of Ormerod Rutter Limited

25/9/19

Chartered Accountants
Statutory Auditor

The Oakley
Kidderminster Road
Droitwich
Worcestershire
WR9 9AY

MALLORY COURT HOTEL LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Turnover	3	4,211,356	4,057,485
Cost of sales		(2,907,104)	(2,832,717)
Gross profit		1,304,252	1,224,768
Administrative expenses		(1,954,875)	(1,936,816)
Loss before taxation		(650,623)	(712,048)
Tax on loss	8	107,734	95,243
Loss for the financial year		(542,889)	(616,805)

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

MALLORY COURT HOTEL LIMITED

BALANCE SHEET

AS AT 31 MARCH 2019

		2019		2018	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	9		14,489,950		14,906,771
Current assets					
Stocks	10	92,548		98,602	
Debtors	11	802,214		614,911	
Cash at bank and in hand		51,488		82,361	
		946,250		795,874	
Creditors: amounts falling due within one year	12	(4,441,871)		(8,165,427)	
Net current liabilities			(3,495,621)		(7,369,553)
Total assets less current liabilities			10,994,329		7,537,218
Capital and reserves					
Called up share capital	16		10,800,000		6,800,000
Share premium account			1,050,787		1,050,787
Non-distributable reserve	17		2,038,390		2,038,390
Profit and loss reserves			(2,894,848)		(2,351,959)
Total equity			10,994,329		7,537,218

The financial statements were approved by the board of directors and authorised for issue on 23/9/19 and are signed on its behalf by:

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Sir P Rigby
Director

Company Registration No. 01274376

MALLORY COURT HOTEL LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Share capital £	Share premium account £	Revaluation reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2017		6,800,000	1,050,787	2,048,790	(1,745,554)	8,154,023
Year ended 31 March 2018:						
Loss and total comprehensive income for the year		-	-	-	(616,805)	(616,805)
Transfers		-	-	(10,400)	10,400	-
Balance at 31 March 2018		6,800,000	1,050,787	2,038,390	(2,351,959)	7,537,218
Year ended 31 March 2019:						
Loss and total comprehensive income for the year		-	-	-	(542,889)	(542,889)
Issue of share capital	16	4,000,000	-	-	-	4,000,000
Balance at 31 March 2019		10,800,000	1,050,787	2,038,390	(2,894,848)	10,994,329

1 Accounting policies

Company information

Mallory Court Hotel Limited is a private company limited by shares incorporated in England and Wales under Companies Act 2006.

The registered office is Harbury Lane, Bishops Tachbrook, Leamington Spa, Warwickshire, CV33 9QB.

The nature of the group's operations and its principal activities are set out in the Directors Report on pages 1 to 3.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The functional currency of Mallory Court Hotel Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

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.

Mallory Court Hotel Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to related party transactions with wholly owned group companies, share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

The financial statements of the company are consolidated in the financial statements of Eden Hotel Collection Limited. These consolidated financial statements are available from its registered office, Harbury Lane, Bishops Tachbrook, Leamington Spa, Warwickshire, CV33 9QB.

1.2 Going concern

The accounts have been prepared on a going concern basis which the directors consider appropriate. The company relies on support from the parent company, Eden Hotel Collection Limited, which is considered to be available for the foreseeable future and for at least the next twelve months from the date of approval of the accounts. Should the going concern basis not be applicable adjustments would have to be made to reduce assets to their recoverable amounts and reclassify long term liabilities as short term liabilities.

1.3 Turnover

Revenue is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer.

Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable.

1 Accounting policies **(Continued)**

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings:	
- Land	- not depreciated
- Structural buildings	- over up to 200 years
- Ancillary buildings	- over up to 50 years
Fixtures and equipment:	
- Fixtures	- over up to 10 years
- Furniture	- over up to 5 years
- Plant	- over up to 10 years
- Small equipment	- over up to 5 years
- Computer equipment	- over up to 4 years
Motor vehicles	- over up to 4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Assets under construction represents on-going construction costs of freehold buildings and fixtures and fittings not yet completed. Such costs will be transferred to either freehold buildings or fixtures and fittings upon completion. Assets under construction are not depreciated as they are not available for use until they have been completed.

On transition to FRS 102, in accordance with Section 35 of FRS 102, the company elected to measure items of property, plant and equipment on the date of transition to this FRS at its fair value and use that fair value as its deemed cost at that date.

1.5 Impairment of fixed assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1 Accounting policies **(Continued)**

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Stocks

Stocks held for resale are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate.

1.7 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

Financial assets and financial liabilities are recognised when the group 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 group after deducting all of its 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 statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1 Accounting policies **(Continued)**

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

a. The contractual return to the holder is:
   i. a fixed amount;
   ii. a positive fixed rate or a positive variable rate; or
   iii. a combination of a positive or a negative fixed rate and a positive variable rate.

b. The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

c. The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that:
   i. the new rate satisfies condition (a) and the variation is not contingent on future events other than:
      1. a change of a contractual variable rate;
      2. to protect the holder against credit deterioration of the issuer;
      3. changes in levies applied by a central bank or arising from changes in relevant taxation or law; or
   ii. the new rate is a market rate of interest and satisfies condition (a).

d. There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

e. Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

f. Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

1 Accounting policies **(Continued)**

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 group transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

c. the group, 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.

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Other financial liabilities
Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities
Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1 Accounting policies **(Continued)**

1.9 Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

1.11 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

1 Accounting policies **(Continued)**

1.12 Retirement benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2 *Judgements and key sources of estimation uncertainty*

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Depreciation of tangible fixed assets

The carrying value of tangible fixed assets is dependent on both the annual depreciation charge and any provisions for impairment.

The annual depreciation charge for tangible fixed assets is sensitive to changes in useful economic lives, which are reassessed annually, is based on physical condition, economic utilisation, schedule of repairs and renovation and, where relevant, technical advancements.

Management perform an annual assessment for impairment on tangible fixed assets, which includes consideration of the current estimation of the market value of the hotel as a whole, the economic utilisation of individually material assets and the feasibility of completing ongoing capital projects whose costs are held within assets under construction at the year end.

The accounting policies for depreciation of tangible fixed assets can be found in note 1 and the carrying value of tangible fixed assets can be found in note 9.

3 Turnover

	2019	**2018**
	£	**£**
Sale of goods	1,880,985	1,890,475
Rendering of service	2,330,371	2,167,010
	4,211,356	4,057,485

4 Operating loss

Operating loss for the year is stated after charging:	2019 £	2018 £
Depreciation of owned tangible fixed assets	509,589	489,004
Cost of stocks recognised as an expense	685,011	641,616

5 Auditor's remuneration

Fees payable to the company's auditor and associates:	2019 £	2018 £
For audit services		
Audit of the company's financial statements	3,628	2,880

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Hotel staff	95	98

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	1,702,820	1,680,182
Social security costs	126,798	129,787
Pension costs	16,613	76,379
	1,846,231	1,886,348

7 Directors' remuneration

No directors received any remuneration for the qualifying services performed for the company. The total emoluments for Sir Peter Rigby are included in the directors' emoluments of Rigby Group (RG) plc.

8 Taxation

	2019	2018
	£	£
Current tax		
Group relief compensation	(118,007)	(134,410)
Adjustments to prior period group relief compensation receivable	(12,464)	(19,115)
Total current tax	(130,471)	(153,525)
Deferred tax		
Origination and reversal of timing differences	25,383	39,713
Changes in tax rates	(2,672)	(4,180)
Adjustment in respect of prior periods	26	22,749
Total deferred tax	22,737	58,282
Total tax credit	(107,734)	(95,243)

Reconciliation of total tax credit included in profit and loss

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2019	2018
	£	£
Loss before taxation	(650,623)	(712,048)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(123,618)	(135,289)
Tax effect of expenses that are not deductible in determining taxable profit	24,230	40,592
Under/(over) provided in prior years	(12,438)	3,634
Deferred tax adjustments in respect of prior years	6,765	-
Effect of corporation tax rate change on deferred tax	(2,672)	(4,180)
Other	(1)	-
Taxation for the year	(107,734)	(95,243)

Factors that may affect future tax charges

The standard rate of Corporation Tax in the UK changed from 20% to 19% with effect from 1 April 2017.

In accordance with the Finance Act 2016, the UK corporation tax rate will reduce to 17% from 1 April 2020. As these changes had been substantively enacted at the Balance sheet date they are reflected in these financial statements.

9 Tangible fixed assets

	Freehold land and buildings	Assets under construction	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2018	13,410,253	5,261	2,686,621	38,437	16,140,572
Additions	-	71,638	-	21,130	92,768
Transfers	-	(5,262)	5,262	-	-
At 31 March 2019	13,410,253	71,637	2,691,883	59,567	16,233,340
Depreciation and impairment					
At 1 April 2018	394,495	-	802,478	36,828	1,233,801
Depreciation charged in the year	149,171	-	345,309	15,109	509,589
At 31 March 2019	543,666	-	1,147,787	51,937	1,743,390
Carrying amount					
At 31 March 2019	12,866,587	71,637	1,544,096	7,630	14,489,950
At 31 March 2018	13,015,758	5,261	1,884,143	1,609	14,906,771

Included in cost of freehold land and buildings is freehold land of £1,930,500 (2018 - £1,930,500) which is not depreciated.

10 Stocks

	2019	2018
	£	£
Finished goods and goods for resale	92,548	98,602

The difference between purchase price of stocks and their replacement cost is not material.

11 Debtors

	2019	2018
Amounts falling due within one year:	£	£
Trade debtors	83,074	72,897
Amounts due from fellow group undertakings	177,975	188,017
Amounts due from associate undertakings	11,000	8,598
Group relief debtor	264,881	276,221
Other debtors	242,682	34,588
Prepayments and accrued income	22,602	11,853
	802,214	592,174
Deferred tax asset (note 14)	-	22,737
	802,214	614,911

12 Creditors: amounts falling due within one year

	2019	2018
	£	£
Payments received on account	175,036	185,640
Trade creditors	187,248	225,495
Amounts owed to group undertakings	3,901,068	7,530,321
Taxation and social security	-	13,585
Other creditors	85,275	51,380
Accruals and deferred income	93,244	159,006
	4,441,871	8,165,427

13 Guarantees

The company is party to an unlimited intercompany guarantee securing all amounts due to the National Westminster Bank Plc from Eden Hotel Collection Limited and all its subsidiaries.

At the year end amounts owed to National Westminster Bank Plc by the group were £nil (2018: £8,500,000) from Eden Hotel Collection Limited, £165,768 (2018: £43,521) from Buckland Tout-Saints Hotel Limited, £nil (2018: £11,092) from The Kings Hotel (Chipping Campden) Limited, £204,915 (2018: £145,502) from The Mount Somerset Hotel & Spa Limited, £27,639 (2018: £nil) from EHC Estates Limited and £8,500,000 (2018: £nil) from Bovey Castle Property Limited.

14 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	2019	2018
Balances:	**£**	**£**
Accelerated capital allowances	(145,890)	(128,960)
Tax losses	145,644	151,697
Short term timing differences	246	-
	-	22,737

	2019
Movements in the year:	**£**
Liability/(Asset) at 1 April 2018	(22,737)
Charge to profit or loss	22,737
Liability at 31 March 2019	-

The deferred tax assets and liabilities will reverse over the following periods:

	2019	2018
	£	**£**
Deferred tax (assets)		
Within one year	(275)	(38,000)
After more than one year	(145,615)	(113,697)
	(145,890)	(151,697)
Deferred tax liabilities		
After more than one year	145,890	128,960
	145,890	128,960

15 Retirement benefit schemes

	2019	2018
Defined contribution schemes	**£**	**£**
Charge to profit or loss in respect of defined contribution schemes	16,613	76,379

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

16 Share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
10,800,000 (2018: 6,800,000) Ordinary of £1 each	10,800,000	6,800,000

Reconciliation of movements during the year:

	Ordinary Number
At 1 April 2018	6,800,000
Issue of fully paid shares	4,000,000
At 31 March 2019	10,800,000

During the financial year the company issued 4,000,000 ordinary £1 shares at par value.

17 Non-distributable reserve

On transition to FRS 102 the company applied the transitional option to treat fair value of tangible fixed assets at the date of transition as deemed cost. The effect on reserves relating to the difference between fair value and historical cost has been classified a non-distributable reserve (previously treated under old UK GAAP as a revaluation reserve), as under Companies Act 2006 no dividends can be declared out of this element of total reserves.

As allowed by Companies Act 2006 section 841, the difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount has been transferred from the non-distributable reserve to the profit and loss account.

18 Related party transactions

Transactions with related parties
During the year the company entered into the following transactions with related parties other than wholly owned subsidiaries within the group:

	Sales		Purchases	
	2019	2018	2019	2018
	£	£	£	£
Entities under common control	-	12,624	-	40,887

The following amounts owed by related parties other than wholly owned subsidiaries within the group were outstanding at the year end:

	2019	2018
Amounts due to related parties	£	£
Entities under common control	1,257	4,062

18 Related party transactions (Continued)

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2019 £	2018 £
Entities with joint control	11,000	-
Entities under common control	12,047	4,197

19 Ultimate controlling party

Rigby Group (RG) plc is regarded by the director as being the company's ultimate parent company.

Sir Peter Rigby, a director of Rigby Group (RG) plc, controlled the company as a result of holding 84.54% of the issued ordinary share capital and 100% of the voting share capital of Rigby Group (RG) plc, the ultimate parent undertaking.

The registered office address of Rigby Group (RG) plc continues to be Bridgeway House, Bridgeway, Stratford-upon-Avon, Warwickshire, CV37 6YX.

Rigby Group (RG) plc continues to be the largest group to consolidate and prepare consolidated accounts.

Eden Hotel Collection Limited, the immediate parent company is the smallest group to consolidate these financial statements.

The consolidated statements for both Rigby Group (RG) plc and Eden Hotel Collection Limited are available at the above address.