

**Bannatyne Spa Hotel (Charlton
House) Limited**

Report and Financial Statements

Year Ended

31 December 2014

Company Number 06519252

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Bannatyne Spa Hotel (Charlton House) Limited

Report and financial statements for the year ended 31 December 2014

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Directors

D W Bannatyne OBE, D.Sc. DBA
S Hancock
J Musgrove
Bannatyne Hotels Limited
E James

Secretary and registered office

E James, Power House, Haughton Road, Darlington, Co Durham, DL1 1ST

Company number

06519252

Auditors

BDO LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5RU

Bankers

Barclays, PO Box 378, 71 Grey Street, Newcastle upon Tyne, NE99 1JP

Solicitors

Watson Burton, 1 St James' Gate, Newcastle upon Tyne, NE99 1YQ

Bannatyne Spa Hotel (Charlton House) Limited

Report of the directors for the year ended 31 December 2014

The directors present their report together with the audited financial statements for the year ended 31 December 2014.

Principal activities

The principal activity of the company is the management and operation of hotel.

The company operates a spa hotel in Shepton Mallett.

Results

The profit and loss account is set out on page 6 and shows the profit for the year.

Business review

The directors are satisfied with the results of the year and anticipate continued improvement in performance in the coming year.

Key financial performance indicators

Key financial performance indicators include that of occupancy rate, net room rate and trading turnover. The average occupancy rate for the year was 77% (2013 - 75%) and the average net room rate for the year was £113.84 (2013 - £110.63). Turnover for the year was £2.1m (2013 - £2.1m). The results for the year showed a profit before tax and impairments of £74,992 (2013 - £47,312).

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks including the risks described below.

The risks and uncertainties facing the business include the competition that exists within the industry as well as the level of disposable income the average household has to fund leisure and social activities.

Financial risk management

The company's operations expose it to a number of financial risks that include the effect of changes in liquidity risk and interest rate risk.

Liquidity risk

The company's day to day operations are cash based. However, the company's parent undertaking, Bannatyne Hotels Limited has long term debt finance that is designed to ensure that the group has sufficient funds for its operations and the results of Bannatyne Spa Hotel (Charlton House) Limited are included for consideration of long term covenants.

The group and company's banking arrangements and the associated covenants are monitored on a semi-annual basis. The directors have considered the current economic challenges and using the performance in 2014 and their forecasts for 2015 and 2016 they are confident that all covenants will be met.

The parent company Bannatyne Hotels Limited has confirmed in writing that it will continue to support the company for the foreseeable future. The directors therefore believe that the continuing application of the going concern basis is appropriate.

Interest rate risk

In order to ensure the stability of cash outflows and hence manage interest rate risk, the group has a policy of hedging a significant proportion of its debt using derivative financial instruments.

Bannatyne Spa Hotel (Charlton House) Limited

Report of the directors for the year ended 31 December 2014 (continued)

Directors

The directors of the company during the year were:

D W Bannatyne OBE, D.Sc. DBA
G N Armstrong FM AAT (removed 29 January 2015)
S Hancock
C P Watson ACMA (resigned 10 November 2014)

J Musgrove and Bannatyne Hotels Limited were appointed as directors on 29 January 2015. E James was appointed as a director on 9 September 2015.

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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;
- 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.

Bannatyne Spa Hotel (Charlton House) Limited

Report of the directors for the year ended 31 December 2014 (*continued*)

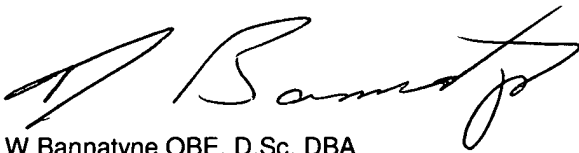
Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP were appointed as auditors during the year and are deemed to be re-appointed in accordance with section 487 of the Companies Act 2006.

In preparing this directors' report advantage has been taken of the small companies' exemption.

On behalf of the board

A handwritten signature in black ink, appearing to read 'D W Bannatyne', is written over a horizontal line.

D W Bannatyne OBE, D.Sc. DBA
Director

23 September 2015

Bannatyne Spa Hotel (Charlton House) Limited

Independent auditor's report

To the member of Bannatyne Spa Hotel (Charlton House) Limited

We have audited the financial statements of Bannatyne Spa Hotel (Charlton House) Limited for the year ended 31 December 2014 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member 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 member 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 member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Bannatyne Spa Hotel (Charlton House) Limited

Independent auditor's report *(continued)*

Matters on which we are required to report by exception

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; or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime and to the exemption from the requirement to prepare a strategic report.



Paul Davies (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Leeds
United Kingdom

25 September 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Bannatyne Spa Hotel (Charlton House) Limited

Profit and loss account for the year ended 31 December 2014

	Note	2014 £	2013 £
Turnover	2	2,127,260	2,058,966
Cost of sales		392,158	389,232
		<hr/>	<hr/>
Gross profit		1,735,102	1,669,734
Administrative expenses - excluding impairment of tangible fixed assets		1,606,783	1,564,966
Impairment of tangible fixed assets		-	952,354
		<hr/>	<hr/>
Administrative expenses		1,606,783	2,517,320
		<hr/>	<hr/>
Operating profit/(loss)	3	128,319	(847,586)
Interest payable and similar charges	4	(53,327)	(57,456)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation		74,992	(905,042)
Taxation on profit/(loss) on ordinary activities	5	(16,882)	62,775
		<hr/>	<hr/>
Profit/(loss) on ordinary activities after taxation		58,110	(842,267)
		<hr/>	<hr/>

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

The notes on pages 8 to 15 form part of these financial statements.

Bannatyne Spa Hotel (Charlton House) Limited

Balance sheet at 31 December 2014

<i>Company number 06519252</i>	Note	2014 £	2014 £	2013 £	2013 £
Fixed assets					
Tangible assets	6		2,659,029		2,750,000
Current assets					
Stocks	7	47,522		47,833	
Debtors	8	153,196		150,552	
Cash at bank and in hand		113,899		27,842	
		<u>314,617</u>		<u>226,227</u>	
Creditors: amounts falling due within one year	9	<u>3,775,644</u>		<u>3,850,273</u>	
Net current liabilities			<u>(3,461,027)</u>		<u>(3,624,046)</u>
Total assets less current liabilities			<u>(801,998)</u>		<u>(874,046)</u>
Provisions for liabilities	10		<u>50,175</u>		<u>36,237</u>
			<u>(852,173)</u>		<u>(910,283)</u>
Capital and reserves					
Called up share capital	12		100		100
Profit and loss account	13		<u>(852,273)</u>		<u>(910,383)</u>
Shareholder's deficit	14		<u>(852,173)</u>		<u>(910,283)</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors and authorised for issue on 23 September 2015.


J Musgrove
Director

The notes on pages 8 to 15 form part of these financial statements.

Bannatyne Spa Hotel (Charlton House) Limited

Notes forming part of the financial statements for the year ended 31 December 2014

1 Accounting policies

The financial statements have been prepared under the historical cost convention.

The following principal accounting policies have been applied:

Going concern

The company's business activities are set out in the principal activities and business review sections of the Directors' report. The management of the business and the execution of the company's strategy are subject to a number of risks. The risks and uncertainties facing the business are discussed below.

The company is a subsidiary undertaking of Bannatyne Hotels Limited, which has in place long term debt finance that is designed to ensure the group has sufficient funds for its operations. There is a group cross guarantee in place between Bannatyne Hotels Limited and Bannatyne Spa Hotel (Charlton House) Limited in regards to the bank loan. The banking arrangements and the associated covenants are tested and certified semi-annually and are monitored by management on an ongoing basis. A breach of one or more of these covenants could result in the group's debt becoming immediately repayable should it not be remedied or waived.

The company's day to day operations are cash based. However, the company is subject to a number of uncertainties, some of which arise as a result of the current economic conditions, including (a) competition that exists within the industry; (b) the level of disposable income the average household has to fund leisure and social activities; and (c) the ability of the group to remain compliant with the terms of its bank finance in the foreseeable future. The directors have considered the current economic challenges and after considering both the performance of the group and company in 2014 and their forecast for 2015 and 2016 and taking account of reasonably possible changes in trading and performance, they are confident that the terms and covenants of all current facilities will be met.

In coming to this conclusion the directors have noted that the balance sheet of the company at 31 December 2014 is in a net liability position and consider that this is mainly the result of the original purchase of the trade and assets of the company giving rise to an intercompany creditor of £3.2m owing to the company's parent undertaking. The parent company has confirmed in writing that it will continue to support Bannatyne Spa Hotel (Charlton House) Limited with the provision of intercompany funding if required. Accordingly, the directors believe that the company will continue to be able to meet its debts as they fall due and have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual report and accounts.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Bannatyne Hotels Limited and the company is included in consolidated financial statements.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

Turnover is recognised on delivery of goods and services to customers. Income in respect of deposits paid in advance is recognised on delivery of goods and services to customers and matched against the associated costs of providing the service.

Bannatyne Spa Hotel (Charlton House) Limited

Notes forming part of the financial statements for the year ended 31 December 2014 (continued)

1 Accounting policies (continued)

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Freehold property	- 2% straight line
Fixtures and fittings	- 10% - 33% straight line

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

2 Turnover

Turnover arises solely within the United Kingdom.

3 Operating profit/(loss)

	2014 £	2013 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	106,211	95,293
Loss on disposal of tangible fixed assets	5,538	-
Fees payable to the company's auditor for the auditing of the company's annual accounts	5,000	6,500
Impairment of tangible assets	-	952,354
	<hr/>	<hr/>

4 Interest payable and similar charges

	2014 £	2013 £
Inter company interest payable	53,327	57,456
	<hr/>	<hr/>

Bannatyne Spa Hotel (Charlton House) Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

5 Taxation on profit/(loss) on ordinary activities

	2014 £	2013 £
<i>UK Corporation tax</i>		
Current tax on profits of the year	10,663	(4,202)
Adjustment in respect of previous periods	(7,719)	(657)
	<hr/>	<hr/>
Total current tax	2,944	(4,859)
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	12,940	(53,513)
Adjustment in respect of previous periods	1,897	465
Effect of increased tax rate on opening liability	(899)	(4,868)
	<hr/>	<hr/>
Movement in deferred tax provision	13,938	(57,916)
	<hr/>	<hr/>
Taxation on profit/(loss) on ordinary activities	16,882	(62,775)
	<hr/>	<hr/>

The tax assessed for the year is lower than/higher than the standard rate of corporation tax in the UK applied to profit/(loss) before tax. The differences are explained below:

	2014 £	2013 £
Profit/(loss) on ordinary activities before tax	74,992	(905,042)
	<hr/>	<hr/>
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%)	16,116	(210,391)
Effect of:		
Expenses not deductible for tax purposes	3,634	152,676
Capital allowances for period in (excess)/deficit of depreciation	(12,938)	53,513
Adjustment to tax charge in respect of previous periods	(7,719)	(657)
Marginal relief	(185)	-
Other	4,036	-
	<hr/>	<hr/>
Current tax charge/(credit) for the year	2,944	(4,859)
	<hr/>	<hr/>

Bannatyne Spa Hotel (Charlton House) Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

6 Tangible fixed assets

	Freehold property £	Fixtures and fittings £	Total £
<i>Cost</i>			
At 1 January 2014	3,311,051	688,570	3,999,621
Additions	-	20,778	20,778
Disposals	-	(8,450)	(8,450)
	<hr/>	<hr/>	<hr/>
At 31 December 2014	3,311,051	700,898	4,011,949
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2014	1,023,899	225,722	1,249,621
Provided for the year	33,111	73,100	106,211
Disposals	-	(2,912)	(2,912)
	<hr/>	<hr/>	<hr/>
At 31 December 2014	1,057,010	295,910	1,352,920
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2014	2,254,041	404,988	2,659,029
	<hr/>	<hr/>	<hr/>
At 31 December 2013	2,287,152	462,848	2,750,000
	<hr/>	<hr/>	<hr/>

Impairments

Fixed assets are tested annually for impairment by management if there are any indications that they might be impaired. The recoverable amount of fixed assets is determined from value in use calculations, for which key assumptions relate to discount rates, growth rates and forecast changes to margins in the period. The key assumptions reflect the group's past experience, with adjustments for anticipated changes in future conditions.

The company prepares cash flow forecasts derived from its most recent financial plans, approved by management for the next year, which it rolls forward for 5 years and then extrapolates into perpetuity using growth assumptions relevant for the business sector. The growth rate used is 2.4%, which is not higher than the average long term industry growth rate. The rate used to discount the forecast cash flows was 11%.

Bannatyne Spa Hotel (Charlton House) Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (continued)

7 Stocks

	2014 £	2013 £
Finished goods	47,522	47,833

There is no material difference between the replacement cost of stocks and the amounts stated above.

8 Debtors

	2014 £	2013 £
Trade debtors	2,922	3,724
Amounts owed by group undertakings	91,477	83,758
Other debtors	1,400	1,400
Prepayments and accrued income	57,397	61,670
	153,196	150,552

All amounts shown under debtors fall due for payment within one year.

9 Creditors: amounts falling due within one year

	2014 £	2013 £
Trade creditors	140,858	137,461
Amounts owed to group undertakings	3,224,673	3,426,844
Corporation tax	10,663	-
Other taxation and social security	108,950	87,543
Amounts owed to related parties	37,016	262
Other creditors	74,442	57,429
Accruals and deferred income	179,042	140,734
	3,775,644	3,850,273

Bannatyne Spa Hotel (Charlton House) Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

10 Provisions for liabilities

	Deferred taxation £
At 1 January 2014	36,237
Charged to profit and loss account	13,938
	<hr/>
At 31 December 2014	50,175
	<hr/>

Deferred taxation

	2014 £	2013 £
Accelerated capital allowances	50,454	36,237
Sundry timing differences	(279)	-
	<hr/>	<hr/>
	50,175	36,237
	<hr/>	<hr/>

11 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £3,026 (2013 - £1,941). Contributions totalling £1,010 (2013 - £1,391) were payable to the fund at the balance sheet date and are included in creditors.

12 Share capital

	2014 £	2013 £
<i>Allotted, called up and fully paid</i>		
100 Ordinary shares of £1 each	100	100
	<hr/>	<hr/>

Bannatyne Spa Hotel (Charlton House) Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

13 Reserves

	Profit and loss account £
At 1 January 2014	(910,383)
Profit for the year	58,110
	<hr/>
At 31 December 2014	(852,273)
	<hr/>

14 Reconciliation of movements in shareholder's deficit

	2014 £	2013 £
Profit/(loss) for the year	58,110	(842,267)
Opening shareholder's deficit	(910,283)	(68,016)
	<hr/>	<hr/>
Closing shareholder's deficit	(852,173)	(910,283)
	<hr/>	<hr/>

15 Contingent liabilities

The company is party to group guarantees in respect of the group bank borrowings. The company's results are considered in the loan covenants for a loan which is held by Bannatyne Hotels Limited. At the year end the liabilities covered by these guarantees totalled £7,844,471 (2013 - £8,595,514).

The Hotel group's banking arrangements and the associated covenants are tested and certified semiannually and are monitored on an ongoing basis. A breach of one or more of these covenants could result in the group's debt becoming immediately repayable should it not be remedied or waived.

Bannatyne Spa Hotel (Charlton House) Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

16 Related party disclosures

Controlling parties

D W Bannatyne OBE, D.Sc. DBA, a director of the company, and members of his close family, control the company as a result of controlling directly or indirectly 100% of the issued share capital of Bannatyne Hotels Limited.

The company is a wholly owned subsidiary of Bannatyne Hotels Limited and has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with Bannatyne Hotels Limited or other wholly owned subsidiaries within the group.

Related party transactions and balances

	Income collected by related party and recharged £	Management charges from related parties £	Expenses paid by related parties and recharged £	Amounts owed to related parties £
2014				
Bannatyne Fitness Limited	431,041	6,000	780,847	36,697
Bannatyne Charitable Trust	-	-	-	319
	<hr/>	<hr/>	<hr/>	<hr/>
2013				
Bannatyne Fitness Limited	478,070	6,000	679,660	-
Bannatyne Charitable Trust	-	-	-	262
	<hr/>	<hr/>	<hr/>	<hr/>

Bannatyne Fitness Limited is a company under common control.

Bannatyne Charitable Trust is under common control. The amounts outstanding relate to donations collected on behalf of the Trust. These amounts are interest free and repayable on demand.

17 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary of Bannatyne Hotels Limited, the ultimate parent company, incorporated in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by Bannatyne Hotels Limited, incorporated in England and Wales. The consolidated accounts of this company are available to the public and may be obtained from Power House, Haughton Road, Darlington, Co Durham, DL1 1ST. No other group accounts include the results of the company.