

**WATERFRONT SOUTHPORT PROPERTIES LIMITED (FORMERLY BLISS HOTELS
LIMITED)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

WATERFRONT SOUTHPORT PROPERTIES LIMITED

COMPANY INFORMATION

Director	K R Potter
Registered number	07707203
Registered office	Bliss Blakeney Morston Road Blakeney Norfolk NR25 7BG
Independent auditors	Simmons Gainsford LLP Chartered Accountants & Statutory Auditors 14 th Floor 33 Cavendish Square London W1G 0PW

WATERFRONT SOUTHPORT PROPERTIES LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

The directors present their strategic report, which is followed by the directors' report, together with the audited financial statements for the year ended 31 December 2020.

Business review

The principal activity of the Company is that of an investment company, located at its property at The Waterfront, Southport.

The Company's operating performance for the year saw revenue increase to £476,111 (2019: £473,876).

While the Company turnover increased there was a drop in revenue in the Company's subsidiary undertaking. This was as a result of enforced closure of the hotel due to the Covid-19 pandemic. This presented many financial, regulatory and health/well-being risks in the subsidiary company, which were managed by the introduction of a specialist hotel management company.

The Company's exposure to risk is monitored on an on-going basis by the directors. The key categories of risk are competitive, legislative, property and financial risks.

- The competitive risk is addressed by the management who continue to create a differentiated guest experience under the new Bliss Hotel brand, by developing systems, processes and culture.
- As an entity dealing with the public, there are a number of legislative requirements the Company must ensure are adhered to. The Company engages with suitable professionals with relevant industry experience and knowledge to ensure correct procedures are in place.
- Property risk is managed through a programme of both interior and exterior refurbishment to ensure that the high standards of the hotel are maintained.

2020 was intended to be a year of continued investment and growth for the Company and although these plans had to be delayed due to the coronavirus pandemic the directors feel confident that the Company is well positioned to achieve long-term growth across all aspects of the business, when normal market conditions return.

WATERFRONT SOUTHPORT PROPERTIES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Principal risks and uncertainties

The Company's financial instruments principally comprise of shareholder loans, intercompany loan facilities and bank loan facilities, the main purpose of which is to finance the Company's operations. In addition, the company has various other financial assets and liabilities such as trade debtors and creditors arising directly from operations. It is, and has been throughout the period under review, the company's policy that no trading in

financial instruments shall be undertaken.

The main risks arising from the company's financial instruments are interest and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged throughout the period.

Interest rate risk

The Company is exposed to cash flow interest rate risk on its floating rate borrowings. All significant borrowings are in sterling.

Liquidity risk

The Company manages its borrowing requirements to ensure the Company has sufficient liquid resources to meet the operating needs of the business.

This report was approved by the board on 7 June 2022 and signed on its behalf.

K R Potter
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors present their report and the financial statements for the year ended 31 December 2020.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £538,488 (2019 - £895,352).

The directors did not pay any dividends in the current and prior year.

The directors have highlighted in the strategic report on pages 1 - 2, a review of the current year results, future outlook expectations, risks and key performance indicators for the company.

Directors

The directors who served during the year were:

R P Agsteribbe (resigned 24 February 2022)
D Broch (resigned 24 February 2022)
K R Potter

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Covid-19 impact statement

As a result of the Coronavirus pandemic and the initial enforced closure of the hotel, the Company has been taking certain measures to ensure that the Company remains in a position where it can continue to meet its forecast liabilities as they fall due.

Steps include: -

-Restructuring of staff employed by the company's subsidiary undertaking to achieve the most efficient senior management team for the scale of the business in the short term,

-Temporary capitalisation of interest due on loans,

-Enhanced cost reduction measures; and

-Making use of relevant government support including Grants, Business Rates relief/rebates and the Coronavirus Job Retention Scheme via the company's subsidiary undertaking.

Auditors

The auditors, Simmons Gainsford LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 7 June 2022 and signed on its behalf.

K R Potter

Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATERFRONT SOUTHPORT PROPERTIES LIMITED

Opinion

We have audited the financial statements of Waterfront Southport Properties Limited (the 'Company') for the year ended 31 December 2020, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, 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 Financial Reporting Standard 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 December 2020 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 Auditors' 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 United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATERFRONT SOUTHPORT PROPERTIES LIMITED
(CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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 set out on page 3, 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.

Auditors' 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 Auditors' 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.

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

In order to identify and assess the risks of material misstatements, including fraud and non-compliance with laws and regulations that could be expected to have a material impact on the financial statements, we have considered:

- the results of our enquiries of management and those charged with governance of their assessment of the risks of fraud and irregularities;

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATERFRONT SOUTHPORT PROPERTIES LIMITED
(CONTINUED)**

- the nature of the company, including its management structure and control systems (including the opportunity for management to override such controls); and
- the industry and environment in which it operates.

We also considered UK tax and pension legislation and laws and regulations relating to employment and the preparation and presentation of the financial statements such as the Companies Act 2006.

Based on this understanding we identified the following matters as being of significance to the entity:

- laws and regulations considered to have a direct effect on the financial statements including UK financial reporting standards, Company Law, tax and pension legislation and distributable profits legislation;
- the timing of the recognition of commercial income;
- compliance with legislation relating to GDPR, health and safety and environmental legislation;
- management bias in selecting accounting policies and determining estimates;
- inappropriate journal entries; and
- recoverability of debtors.

We communicated the outcomes of these discussions and enquiries, as well as consideration as to where and how fraud may occur in the entity, to all engagement team members

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised:

- enquiries of management and those charged with governance as to whether the entity complies with such laws and regulations;
- enquiries with the same concerning any actual or potential litigation or claims;
- discussion with the same regarding any known or suspected instances of non-compliance with laws and regulation and fraud;
- inspection of relevant legal correspondence;
- assessment of matters reported to management and the result of the subsequent investigation;
- obtaining an understanding of the relevant controls during the period;
- obtaining an understanding of the policies and controls over the recognition of income and testing their implementation during the year;
- review documentation relating to compliance with the regulations;
- challenging assumptions made by management in their specific accounting policies and estimates, in particular in relation to depreciation of tangible fixed assets;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or crediting revenue or cash;
- assessing the recovery of debtors in the period since the balance sheet date and challenging assumptions made by management regarding the recovery of balances which remain outstanding;
- challenging key assumptions made by management
- reviewing the financial statements for compliance with the relevant disclosure requirements;
- performing analytical procedures to identify any unusual or unexpected relationships or unexpected movements in account balances which may be indicative of fraud;
- reviewing the minutes of Board meetings and correspondence with HMRC; evaluating the underlying business reasons for any unusual transactions; and
- considered the implementation of controls during the year.

No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATERFRONT SOUTHPORT PROPERTIES LIMITED
(CONTINUED)

might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

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

Daryush Farshchi-Heidari (FCA) (Senior statutory auditor)

for and on behalf of

Simmons Gainsford LLP

Chartered Accountants

Statutory Auditors

14th Floor

33 Cavendish Square

London

W1G 0PW

7 June 2022

WATERFRONT SOUTHPORT PROPERTIES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Turnover	4	476,111	473,876
Gross profit		<u>476,111</u>	<u>473,876</u>
Administrative expenses		(453,874)	(561,456)
Operating profit/(loss)	5	22,237	(87,580)
Interest receivable and similar income	8	5	12
Interest payable and expenses	9	(893,462)	(807,784)
Loss before taxation		<u>(871,220)</u>	<u>(895,352)</u>
Tax on loss	10	332,732	-
Loss for the financial year		<u><u>(538,488)</u></u>	<u><u>(895,352)</u></u>
Unrealised deficit on revaluation of tangible fixed assets		(518,498)	-
Deferred tax on revaluation movement		190,000	-
Other comprehensive income for the year		<u>(328,498)</u>	-
Total comprehensive income for the year		<u><u>(866,986)</u></u>	<u><u>(895,352)</u></u>

The notes on pages 13 to 27 form part of these financial statements.

WATERFRONT SOUTHPORT PROPERTIES LIMITED
REGISTERED NUMBER: 07707203

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	11	15,600,000	16,251,298
Investments	12	1,260,000	1,260,000
Investment property	13	4,400,000	4,400,000
		<u>21,260,000</u>	<u>21,911,298</u>
Current assets			
Debtors: amounts falling due within one year	14	339,167	559,456
Cash at bank and in hand	15	210,508	98,242
		<u>549,675</u>	<u>657,698</u>
Creditors: amounts falling due within one year	16	(3,799,576)	(3,832,635)
Net current liabilities		<u>(3,249,901)</u>	<u>(3,174,937)</u>
Total assets less current liabilities		18,010,099	18,736,361
Creditors: amounts falling due after more than one year	17	(13,163,456)	(12,500,000)
Provisions for liabilities			
Deferred tax	19	(1,085,869)	(1,608,601)
		<u>(1,085,869)</u>	<u>(1,608,601)</u>
Net assets		<u><u>3,760,774</u></u>	<u><u>4,627,760</u></u>
Capital and reserves			
Called up share capital	20	17,482	17,482
Share premium account	21	494,056	494,056
Revaluation reserve	21	4,554,328	4,932,524
Other reserves	21	1,333,762	1,333,762
Profit and loss account	21	(2,638,854)	(2,150,064)
		<u><u>3,760,774</u></u>	<u><u>4,627,760</u></u>

WATERFRONT SOUTHPORT PROPERTIES LIMITED
REGISTERED NUMBER: 07707203

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2020

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 7 June 2022.

K R Potter

Director

The notes on pages 13 to 27 form part of these financial statements.

WATERFRONT SOUTHPORT PROPERTIES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £	Share premium account £	evaluation reserve £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2019	17,482	494,056	4,982,222	,333,762	1,304,410	5,523,112
Comprehensive income for the year						
Loss for the year	-	-	-	-	(895,352)	(895,352)
Transfer to profit and loss account	-	-	(49,698)	-	49,698	-
At 1 January 2020	17,482	494,056	4,932,524	,333,762	2,150,064	6,227,760
Comprehensive income for the year						
Loss for the year	-	-	-	-	(538,488)	(538,488)
Deficit on revaluation of leasehold property	-	-	(518,498)	-	-	(518,498)
Deferred tax on revaluation movement	-	-	190,000	-	-	190,000
Transfer to profit and loss account	-	-	(49,698)	-	49,698	-
At 31 December 2020	<u>17,482</u>	<u>494,056</u>	<u>4,554,328</u>	<u>,333,762</u>	<u>2,638,854</u>	<u>,760,774</u>

The notes on pages 13 to 27 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

The company is a private company limited by shares, incorporated in England and Wales. The address of the registered office is Bliss Blakeney, Morston Road, Blakeney, Norfolk, NR25 7BG.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Waterfront Southport Holdings Limited as at 31st December 2020 and these financial statements may be obtained from Companies House.

2.3 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.4 Going concern

The Company is dependent on its shareholder and bank loan facilities that have been provided to fund the acquisition and development of the hotel. The bank loan was refinanced in early 2019 and is due for full repayment in February 2023. Currently there has been no indication that the refinance of the existing facilities should not be achieved.

Furthermore, the shareholders have confirmed they will not seek repayment of the loans until the company has sufficient funds to do so.

As a result of the Coronavirus pandemic and the initial enforced closure of the hotel, the Company has been taking certain measures to ensure that the Company remains in a position where it can continue to meet its forecast liabilities as they fall due.

Steps include: -

- Restructuring of staff employed by the company's subsidiary undertaking to achieve the most efficient senior management team for the scale of the business in the short term,

- Temporary capitalisation of interest due on loans,

- Enhanced cost reduction measures; and

- Making use of relevant government support including Business Rates relief/rebates and the Coronavirus Job Retention Scheme via the company's subsidiary undertaking.

Based on the steps undertaken and with the continued support of the Company's lenders, the financial statements have been prepared on a going concern basis.

2.5 Turnover

Rents and service charges receivable are recognised in the period in which the services are provided in accordance with the rental agreement. Rent receivable is invoiced monthly at the beginning of the month for which the rental income relates.

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line and reducing balance method.

Depreciation is provided on the following basis:

Long-term leasehold property	- 50 years straight line
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.11 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in other comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.12 Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss.

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.14 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.16 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.18 Financial instruments

The company enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, finance leases, and loans from related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts debtors and creditors, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are creditors or debtors within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised 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 to another entity.

Financial liabilities and equity instruments are classified according to the substance of the financial

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.18 Financial instruments (continued)

instrument's contractual obligations, rather than the financial instrument's legal form.

Financial liabilities, including trade and other payables, bank loans, loans from fellow group companies, are initially measured at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest rate method.

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. Actual results may differ from these estimates. 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.

The following judgements (including key areas of estimation uncertainty) have had the most significant effect on amounts recognised in the financial statements:

Revaluation of tangible fixed assets

The company engaged independent valuation specialists to determine the fair value of its long leasehold property at the end of the reporting period. Details of the key assumptions and techniques utilised by the valuer have been detailed in note 11.

Fair value of investment property

The company engaged independent valuation specialists to determine the fair value of its investment property at the end of the reporting period. Details of the key assumptions and techniques utilised by the valuer have been detailed in note 13.

WATERFRONT SOUTHPORT PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

4. Turnover

An analysis of turnover by class of business is as follows:

	2020 £	2019 £
Operating lease rental income	<u>476,111</u>	<u>473,876</u>

All turnover arose within the United Kingdom.

5. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2020 £	2019 £
Depreciation of tangible fixed assets	132,800	132,800
Ground rent	<u>25,000</u>	<u>25,000</u>

6. Auditors' remuneration

	2020 £	2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>7,250</u>	<u>7,250</u>

Fees payable to the Company's auditor and its associates in respect of:

Audit-related assurance services	15,000	7,250
Taxation compliance services	2,875	4,450
All other services	<u>2,950</u>	<u>6,000</u>

7. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2019 - £NIL).

WATERFRONT SOUTHPORT PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

8. Interest receivable

	2020	2019
	£	£
Other interest receivable	<u>5</u>	<u>12</u>

9. Interest payable and similar expenses

	2020	2019
	£	£
Bank interest payable	<u>893,462</u>	<u>807,784</u>

10. Taxation

	2020	2019
	£	£
Deferred tax		
Origination and reversal of timing differences	<u>332,732</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020	2019
	£	£
Loss on ordinary activities before tax	<u>(871,220)</u>	<u>(895,352)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(165,532)	(170,117)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	19,547	-
Capital allowances for year in excess of depreciation	(113,938)	(2,823)
Non-taxable fair value movement on property	(217,316)	-
Unrelieved tax losses carried forward	144,507	172,940
Total tax charge for the year	<u>(332,732)</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10. Taxation (continued)

Factors that may affect future tax charges

The company has estimated losses of £1.9m (2019 - £1.14m) to be offset against future profits.

On 3 March 2021, the Government announced an increase in the rate of corporation tax to 25% from 1 April 2023 on all profits when they exceed £250,000 and this change in rate was enacted on 10 June 2021. The effect of this change on the net deferred tax balances carried forward will not be material for the financial statements.

11. Tangible fixed assets

	Long-term leasehold property £
Valuation	
At 1 January 2020	16,600,000
Revaluations	(1,000,000)
	<hr/>
At 31 December 2020	15,600,000
	<hr/>
At 1 January 2020	348,702
Charge for the year	132,800
Adjustment on revaluation	(481,502)
	<hr/>
At 31 December 2020	-
	<hr/>
Net book value	
At 31 December 2020	<u>15,600,000</u>
At 31 December 2019	<u>16,251,298</u>

The property was valued in April 2022 by CBRE Limited, on an open market value basis. The director considers this valuation to be appropriate at the balance sheet date.

WATERFRONT SOUTHPORT PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

11. Tangible fixed assets (continued)

At cost:

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2020 £	2019 £
Cost	10,387,753	10,387,753
Accumulated depreciation	(332,408)	(249,306)
Net book value	<u>10,055,345</u>	<u>10,138,447</u>

12. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2020	1,260,000
At 31 December 2020	<u>1,260,000</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Waterfront Hotels (Southport) Limited	Bliss Blakeney Morston Road, Blakeney, Norfolk, England, England, NR25 7BG	Hotel management	Ordinary	100 %

WATERFRONT SOUTHPORT PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

13. Investment property

**Long term
leasehold
investment
property
£**

Valuation

At 1 January 2020

4,400,000

At 31 December 2020

4,400,000

The property was valued in April 2022 by CBRE Limited, on an open market value basis. Based on this valuation and taking account of events that have occurred since the balance sheet date and before the valuation the directors have assessed the valuation of the property at the balance sheet date at £4.4m as being appropriate.

14. Debtors

	2020 £	2019 £
Trade debtors	65,725	21,630
Other debtors	7,889	299,820
Prepayments and accrued income	265,553	238,006
	<u>339,167</u>	<u>559,456</u>

15. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	210,508	98,242
Less: bank overdrafts	(360)	-
	<u>210,148</u>	<u>98,242</u>

WATERFRONT SOUTHPORT PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

16. Creditors: Amounts falling due within one year

	2020	2019
	£	£
Bank overdrafts	360	-
Trade creditors	79,262	35,424
Amounts owed to group undertakings	2,005,531	1,809,536
Other taxation and social security	16,428	29,385
Other creditors	1,384,536	1,466,647
Accruals and deferred income	313,459	491,643
	<u>3,799,576</u>	<u>3,832,635</u>

For detail of security see note 17.

17. Creditors: Amounts falling due after more than one year

	2020	2019
	£	£
Bank loans	<u>13,163,456</u>	<u>12,500,000</u>

The bank loan is secured by way of a fixed and floating charge over the assets of the company and by cross-guarantee with its subsidiary. For further details of the cross guarantee see note 22.

18. Loans

Analysis of the maturity of loans is given below:

	2020	2019
	£	£
Amounts falling due 2-5 years		
Bank loans	<u>13,163,456</u>	<u>12,500,000</u>

WATERFRONT SOUTHPORT PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

19. Deferred taxation

	2020 £	2019 £
At beginning of year	1,608,601	1,608,601
Charged to profit or loss	(522,732)	-
At end of year	<u><u>1,085,869</u></u>	<u><u>1,608,601</u></u>

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	-	115,416
Fair value on investment property	312,858	312,858
Revaluation on leasehold property	773,011	1,180,327
	<u><u>1,085,869</u></u>	<u><u>1,608,601</u></u>

20. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
11,163 (2019 - 11,163) Ordinary A shares of £1.00 each	11,163	11,163
375 (2019 - 375) Ordinary B shares of £1.00 each	375	375
5,944 (2019 - 5,944) Ordinary C shares of £1.00 each	5,944	5,944
	<u><u>17,482</u></u>	<u><u>17,482</u></u>

All shares have attached to them full dividend and capital distributions rights (including on winding up). The only voting shares are the A shares.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

21. Reserves

Share premium account

This comprises amounts paid in excess of the nominal value of issued share capital and are not available for distribution.

Revaluation reserve

This comprises the accumulated movements in the revaluation of the long leasehold property and the associated deferred tax provision.

Other reserves

This comprises the accumulated movements in the fair value of Investment property and the associated deferred tax provision.

Profit and loss account

This comprises accumulated profit/(loss) available for distribution.

22. Contingent liabilities

At the balance sheet date the company had entered into a group cross guarantee in respect of bank loans. At the balance sheet date the total contingent liability attributable to this company amounted to £2,617,394 (2019 - £1,269,804).

23. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	25,000	25,000
Later than 1 year and not later than 5 years	100,000	100,000
Later than 5 years	5,800,000	5,825,000
	<u>5,925,000</u>	<u>5,950,000</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

24. Related party transactions

At the balance sheet date, the company owed £1,356,073 (2019 - £1,446,073) to directors/shareholders of the company. The amount is interest free and repayable on demand.

At the balance sheet date, included in debtors is an amount of £Nil (2019 - £90,000) due from a company under common control.

At the balance sheet date, included in debtors is an amount of £95,377 (2019 - £Nil) due from a company under common control. A provision of £95,377 (2019 - £Nil) has been made against the loan.

At the balance sheet date, an amount of £Nil (2019 - £54,443) was due from a company under common control.

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