Bluestone Resorts Holdings Limited

Annual report and consolidated financial statements

Registered number 08435581

For the 52 week financial period ended 5 January 2017

TUESDAY
A6FSOVLK
A14 26/09/2017 #136
COMPANIES HOUSE

Contents

Company information

Directors

N Evans
JW McNamara
P McNamara
HV Stevens (resigned 30/01/2017)
AC Probert
D Rainbow (appointed 24/02/2017)

Secretary

FG Atkins

Company number

08435581

Registered office

The Grange
Canaston Wood
Narberth
Pembrokeshire
SA67 8DE

Auditor

KPMG LLP
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

Bankers

Barclays
3rd Floor
Windsor Court
3 Windsor Place
Cardiff
CF10 3BX

Strategic Report

The Strategic Report is prepared in accordance with The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Business review

The Group continues to make steady progress in improving its operational and financial performance despite the uncertain economic conditions. The Directors are satisfied with the progress made during 2016 and the outlook for 2017 is also extremely positive.

Sales increased 23% in 2016 to £21,911,000 (2015: £17,809,000). The growth in sales in 2016 was achieved through an increase in available lodges, coupled with an increase in the average lodge rate per night. 50 accommodation units have been added to the lodge stock during 2016, which completes the most recent phase in expansion.

As an element of the cost base is fixed, and with careful control of the non-fixed cost base, this extra capacity and income has enabled the company to achieve an increase in profitability with profit before tax (excluding impairment) reported of £1,793,000 (2015: £594,000).

The focus is still on developing the resort, and in maintaining momentum to become Britain's favourite short break destination. This will be achieved through maintaining high quality standards, providing value for money, and a broad appeal to predominantly families looking for a short break in a beautiful rural setting.

On 16 December 2016, Bluestone Resorts Holdings Limited was acquired as part of a management buyout by Bluestone Resorts Wales Limited, which is now the ultimate parent undertaking and controlling party. The acquisition involved the replacement of an existing shareholder loan with a loan from Barclays Bank Plc. This also allows for future development of the resort, including all-weather facilities and the redevelopment of a disused 19th century mill into a Victorian-themed attraction. The change in funding arrangements is also reflected in the intercompany arrangements between the Group and its ultimate parent, Bluestone Resorts Wales Limited as detailed in note 15.

As part of the MBO transaction on 16th December 2016, an independent valuation on the freehold interest in the property of Bluestone Resorts Limited was undertaken by Jones Lang Lasalle. The value in use calculation used to determine the value was based on cash flow projections for a 10 year period discounted to their present value. The recoverable amount was determined to be less than the carrying amount of fixed assets. Based on the valuation conducted by Jones Lang Lasalle and management's assessment at the reporting date, an impairment charge of £6,406,000 to the company's fixed assets has been recognised in the period.

Key performance indicators

Key performance indicators include turnover and level of profitability, information for which is set out in the profit and loss account on page 8.

Other key performance indicators are guest numbers, which increased by 20% over the prior financial period. Occupancy rates also increased to 97% in 2016, which included the addition of 50 further accommodation units over the past 12 months. Further KPIs are the average lodge rate per night and the amount of non-accommodation spend per guest, both of which increased by 10% and 1% respectively between 2015 and 2016.

Principal risks and uncertainties

The Group provides high quality self-catering accommodation and associated facilities in a National Park location in Pembrokeshire. It is dependent upon the demand for short term leisure breaks from customers, predominantly families living within a 4 to 5 hours' drive time from the resort.

The activities of larger competitors targeting the same market for leisure breaks in both the UK and abroad can have an adverse impact on the bookings, however, continued focus on customer satisfaction and feedback, coupled with strong marketing and product differentiation should help mitigate this risk.

Strategic Report *(continued)*

Principal risks and uncertainties (continued)

Since the balance sheet date, Article 50 has been enacted following the UK referendum vote to leave the European Union. There has been limited impact to the business seen to date. Only when the final negotiations as to access to the Single Market and trade relationships with other countries are agreed will the Group be able to understand the potential impact this may have in the long term. Directors are keeping abreast of the latest developments and are actively considering mitigation strategies.

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring levels of debt finance and the related finance costs.

Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the group's finance department.

Price risk

There are on-going inflationary pressures on costs and, in particular, on the cost of food and beverage goods for resale. The Group will continue to review the contracts held with its major suppliers and ensure that the best possible prices continue to be maintained. The Group consumes a significant volume of electricity and has in place a rigorous process of managing consumption and uses an energy broker to assist in obtaining the best possible prices for the supply of electricity.

Credit risk

All of the resort's guests are required to pay for their accommodation in advance of arrival. On site food, beverages and activities can also be pre-purchased online, but the majority are paid for at the time of use. The Group therefore has limited credit risk exposure to individual customers and does not carry out credit checks other than having card transactions authorised before acceptance.

Liquidity risk

Now that the Group is trading profitably, the liquidity risk has been reduced significantly. The Group operates in a cash positive environment, in that customers pay for their holiday in full before arrival.

In addition, the Group has in place detailed cash flow forecasting models which are updated weekly and enable it to manage cash flow in order to operate within the facility levels granted by lenders.

By order of the board

Neil Evans

N Evans
Director

The Grange
Canaston Wood
Narberth
Pembrokeshire
SA67 8DE

24th August 2017

Directors' Report

The directors present their directors' report and financial statements for the 52 week financial period ended 5 January 2017 (prior financial period 53 weeks).

Principal activities

The principal activity of the Company is as a holding Company owning investments in subsidiary undertakings, and in providing management services to those undertakings. The principal activity of the Group is the operation and continued development of the Bluestone National Park Resort in Pembrokeshire, which offers 5 star, short break holidays all year round. The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 5 January 2017.

Results and dividends

The profit for the financial period, after taxation and before the impairment, amounted to £2,850,000 *(2015: £1,157,000)*. The loss for the financial period after the impairment amounted to £3,556,000. No dividends have been paid or declared in relation to the financial period ended 5 January 2017 *(2015: £nil)*.

Directors

The directors who held office during the financial period were as follows:
JW McNamara
N Evans
AC Probert
HV Stevens (resigned 30/01/2017)
P McNamara
D Rainbow (appointed 24/02/2017)

Political and charitable contributions

The company made no political or charitable donations during the financial period (2015: nil).

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitude of the applicant concerned. In the event of members of staff becoming disabled, every effort will be made to ensure their employment with the company continues and that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee engagement

The company actively communicates with its employees through regular formal and informal means. An Employee Consultation Group (ECG) has been set up to ensure that the employees views are represented at a senior level. An employee benefit trust has also been set up and will materialise during 2017.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Neil Evans

N Evans
Director

The Grange
Canaston Wood
Narberth
Pembrokeshire
SA67 8DE
24th August 2017

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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 period. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that financial period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG LLP

3 Assembly Square
Britannia Quay
Cardiff CF10 4AX
United Kingdom

Independent auditor's report to the members of Bluestone Resorts Holdings Limited

We have audited the financial statements of Bluestone Resorts Holdings Limited for the 52 week financial period ended 5 January 2017 set out on pages 8 to 28. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

This report is made solely to the group'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 group'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 group's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 Auditing Practices Board'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 Financial Reporting Council'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 group's and of the parent company's affairs as at 5 January 2017 and of the group's loss for the period then ended;
- have been properly prepared in accordance with UK 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 Strategic Report and the Directors' Report for the financial period is consistent with the financial statements.

Independent auditor's report to the members of Bluestone Resorts Holdings Limited *(continued)*

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and

- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Jeremy Thomas (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

25 August 2017

Consolidated Profit and Loss Account and Other Comprehensive Income
for the financial period ended 5 January 2017

	Note	**52 week period ended 5 January 2017 £000**	53 week period ended 7 January 2016 £000
Turnover	*2*	**21,911**	17,809
Cost of sales		**(2,405)**	(2,071)
Gross profit		**19,506**	15,738
Administrative expenses		**(17,278)**	(14,777)
Operating profit before provision for impairment		**2,228**	961
Provision for impairment of fixed assets	*10*	**(6,406)**	-
Operating (loss)/profit	*3-6*	**(4,178)**	961
Interest receivable and similar income	*7*	**-**	3
Interest payable and similar expenses	*7*	**(435)**	(370)
(Loss)/Profit before taxation		**(4,613)**	594
Tax on profit	*8*	**1,057**	563
(Loss)/Profit after taxation		**(3,556)**	1,157

The profit and loss account presents all items of income and expense recognised in both financial periods. There are no other items of other comprehensive income in either financial period.

The notes on pages 14 to 28 form part of these financial statements.

Consolidated Statement of Financial Position

at 5 January 2017

	Note	**5 January 2017**		7 January 2016	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets – negative goodwill	*9*		**(16,905)**		(17,323)
Tangible assets	*10*		**35,350**		38,820
Investments	*11*		**15**		15
			18,460		21,512
Current assets					
Stocks	*12*	**283**		318	
Debtors (of which £1,295,000 (2015: £413,000) is due in >1 year)	*13*	**2,703**		1,499	
Cash at bank and in hand		**68**		56	
		3,054		1,873	
Creditors: amounts falling due within one year	*14*	**(7,063)**		(8,520)	
Net current liabilities			**(4,009)**		(6,647)
Total assets less current liabilities			**14,451**		14,865
Creditors: amounts falling due after more than one year	*15*		**(15,216)**		(9,167)
Net (liabilities)/assets			**(765)**		5,698
Capital and reserves					
Called up share capital	*17*		**10**		10
Capital contribution account			**-**		3,247
Profit and loss account			**(775)**		2,441
Shareholders' (deficit)/funds			**(765)**		5,698

These financial statements were approved by the board of directors on 24th August 2017 and were signed on its behalf by:

N Evans

N Evans
Director

Company registered number: 08435581

The notes on pages 14 to 28 form part of these financial statements.

Company Statement of Financial Position
at 5 January 2017

	Note	**5 January 2017** £000	**5 January 2017** £000	7 January 2016 £000	7 January 2016 £000
Fixed assets					
Investments	*11*		**1,752**		4,659
Current assets					
Debtors	*13*	-		-	
Cash at bank		1		1	
		1		1	
Creditors: amounts falling due within one year	*14*	(312)		-	
			(311)		1
Net current assets			**1,441**		4,660
Debtors: amounts recoverable after more than one year	*13*		-		8,587
Total assets less current liabilities			**1,441**		13,247
Creditors: amounts falling due after more than one year	*15*		-		(8,902)
Net assets			**1,441**		4,345
Capital and reserves					
Called up share capital	*17*		**10**		10
Capital contribution account			-		3,247
Profit and loss account			**1,431**		1,088
Shareholders' funds			**1,441**		4,345

These financial statements were approved by the board of directors on 24th August 2017 and were signed on its behalf by:

Neil Evans

N Evans
Director

Company registered number: 08435581

The notes on pages 14 to 28 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the financial period ended 7 January 2016 and 5 January 2017

	Called up share capital	Capital Contribution	Profit and loss account	Total Shareholders' equity
	£000	£000	£000	£000
Balance at 2 January 2015	10	3,595	936	4,541
Total comprehensive income for the financial period:				
Profit for the financial period	-	-	1,157	1,157
Notional interest charge on shareholder loans	-	(348)	348	-
Total comprehensive income for the financial period	-	(348)	1,505	1,157
Balance at 7 January 2016	**10**	**3,247**	**2,441**	**5,698**

	Called up share capital	Capital Contribution	Profit and loss account	Total Shareholders' equity
Balance at 8 January 2016	10	3,247	2,441	5,698
Total comprehensive income for the financial period:				
Loss for the financial period	-	-	(3,556)	(3,556)
Notional interest charge on shareholder loans	-	(340)	340	-
Reverse remaining notional interest held in the capital contribution reserve on early repayment	-	(2,907)	-	(2,907)
Total comprehensive income for the financial period	-	(3,247)	(3,216)	(6,463)
Balance at 5 January 2017	10	-	(775)	(765)

The accompanying notes form part of the financial statements.

Company Statement of Changes in Equity

for the financial period ended 7 January 2016 and 5 January 2017

	Called up share capital	Capital Contribution	Profit and loss account	Total Shareholders' equity
	£000	**£000**	**£000**	**£000**
Balance at 2 January 2015	10	3,595	738	4,343
Total comprehensive income for the financial period:				
Profit for the financial period	-	-	2	2
Notional interest charge on shareholder loans	-	(348)	348	-
Total comprehensive income for the financial period	-	(348)	350	2
Balance at 7 January 2016	**10**	**3,247**	**1,088**	**4,345**

	Called up share capital	Capital Contribution	Profit and loss account	Total Shareholders' equity
Balance at 8 January 2016	10	3,247	1,088	4,345
Total comprehensive income for the financial period:				
Profit for the financial period	-	-	3	3
Notional interest charge on shareholder loans	-	(340)	340	-
Reverse remaining notional interest held in the capital contribution reserve on early repayment	-	(2,907)	-	(2,907)
Total comprehensive income for the financial period	-	(3,247)	343	(2,904)
Balance at 5 January 2017	10	-	1,431	1,441

The accompanying notes form part of the financial statements.

Consolidated Cash Flow Statement

for the financial period ended 5 January 2017

	Note	52 week period ended 5 January 2017 £000	53 week period ended 7 January 2016 £000
Cash flows from operating activities			
(Loss)/Profit for the year		**(3,556)**	1,157
Adjustments for:			
Notional interest		**340**	348
Interest receivable and similar income		**-**	(3)
Interest payable and similar expenses		**95**	22
Amortisation of intangible assets	9	**(418)**	(417)
Impairment of fixed assets	10	**6,406**	-
Depreciation of tangible assets	10	**1,885**	1,641
Loss on disposal of tangible fixed asset		**-**	8
Deferred government grant		**(84)**	(69)
Deferred tax credit		**(1,057)**	(563)
(Increase) in trade and other debtors		**(147)**	(359)
Decrease/(increase) in stocks		**35**	(18)
Increase in creditors		**1,078**	1,816
Interest paid		**(95)**	(22)
Net cash from operating activities		**4,482**	3,541
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**-**	103
Interest received		**-**	3
Acquisition of tangible fixed assets		**(4,386)**	(6,335)
Proceeds from the receipt of government grants		**1,145**	
Acquisition of investments		**-**	-
Net cash from investing activities		**(3,241)**	(6,229)
Cash flows from financing activities			
Repayment of existing loans	20	**(12,150)**	-
Drawdown of new loans	15	**13,787**	-
Payment of finance lease liabilities		**(91)**	(35)
Net cash from financing activities		**1,546**	(35)
Net (decrease)/increase in cash and cash equivalents		**2,787**	(2,723)
Cash and cash equivalents at beginning of financial period		**(2,719)**	4
Cash and cash equivalents at end of financial period		**68**	(2,719)

The notes on pages 14 to 28 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Bluestone Resorts Holdings Limited (the "Company") is a private company limited by shares and incorporated and domiciled in Wales, in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

Bluestone Resorts Holdings 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 separate financial statements, which are presented alongside these consolidated financial statements. Exemptions have been taken in relation to intra-group transactions and remuneration of key management personnel, and no separate parent company Cash Flow Statement with related notes is included.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all financial periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial period are discussed in note 23.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The financial statements have been prepared on a going concern basis. The Group has traded in profit for three years with continued growth expected in 2017 driven by continued investment in the resort including additional accommodation units, which will provide further revenue and profitability for the company as occupancy rates for 2017 remain high.

As at 5 January 2017, the Group has net current liabilities of £4,009,000 (2015: £6,647,000), although this reflects the seasonality of the business as a significant proportion relates to customer deposits in relation to advance bookings for the forthcoming season.

The directors have considered the basis of preparation of the financial statements and, based on the assessment of budgets and cash flow forecasts for at least twelve months from the date of signing of these financial statements, are satisfied the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of Bluestone Resorts Holdings Limited and its subsidiary undertakings made up to 5 January 2017. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The profit of the parent company is £3,000 *(2015: £2,000).*

Notes *(continued)*

1 Accounting policies *(continued)*

Basic financial instruments

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The Group assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Freehold property	-	2% straight line
Plant & machinery	-	20% straight line
Motor vehicles	-	25% straight line
Fixtures & fittings	-	20% straight line
Property improvements	-	5% straight line
Computer equipment	-	33% straight line

Government Grants

Government grants are included within creditors in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets which they relate or in financial periods which the related costs are incurred.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. Provision is made, where necessary, for slow moving, obsolescent and defective stocks.

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the financial periods during which services are rendered by employees.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Notes *(continued)*

1 Accounting policies *(continued)*

Turnover

Turnover comprises revenue recognised by the Company in respect of accommodation and other guest related goods and services supplied during the financial period, exclusive of value added tax. Revenue in relation to accommodation services is recognised on guest arrival by releasing deposits and payments that are received in advance. Revenue in relation to activities, retail and dining services is recognised at point of service.

Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each financial period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the financial periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and finance leases recognised in profit or loss using the effective interest method. Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the financial period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the financial period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous financial periods.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in financial periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met.

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 is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets and stock, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

2 Turnover

The whole of the Group's turnover is attributable to the provision of goods and services which fall within the Group's ordinary activities, stated net of value added tax.

The turnover is derived from the continuing activities being the operation of Bluestone National Park Resort in Pembrokeshire.

All turnover arose within the United Kingdom.

3 Other operating income

	52 week period ended 5 January 2017	53 week period ended 7 January 2016
	£000	£000
Government grants	**84**	69

Government grants received are in relation to the initial establishment, and subsequent expansion, of the Bluestone National Park Resort. Grants are credited to the profit and loss account, within administrative expenses, over the expected useful lives of the assets to which the grant relates, or in financial periods in which the related costs are incurred.

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	52 week period ended 5 January 2017	53 week period ended 7 January 2016
	£000	£000
Depreciation of tangible fixed assets	**1,884**	1,641
Provision for impairment	**6,406**	-
Amortisation of intangible assets	**(418)**	(417)
Auditor's remuneration:		
Audit of these financial statements	**2**	2
Audit of financial statements of subsidiaries	**30**	30
Taxation compliance services	**6**	6
Operating lease rentals:		
Land & buildings	**90**	82
Other	**203**	137

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the financial period, analysed by category, was as follows:

	52 week period ended 5 January 2017 No.	53 week period ended 7 January 2016 No.
Administration	**24**	27
Sales & marketing	**41**	30
Operational	**599**	489
	664	546

The aggregate payroll costs of these persons were as follows:

	52 week period ended 5 January 2017 £000	53 week period ended 7 January 2016 £000
Wages and salaries	**7,885**	6,687
Social security costs	**478**	395
Contributions to defined contribution plans	**65**	58
	8,428	7,140

6 Remuneration of directors

	52 week period ended 5 January 2017 £000	53 week period ended 7 January 2016 £000
Directors' emoluments	**333**	333
Company contributions to defined contribution pension schemes	**5**	5

Directors' emoluments represent amounts paid in the financial period to the directors of Bluestone Resorts Holdings Limited. They were remunerated by subsidiary Company, Bluestone Resorts Limited for their services to the Group as a whole.

The highest paid director received remuneration of £130,000 *(2015: £130,000)*. The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil.

Notes *(continued)*

7 Interest (receivable)/payable and similar charges

	52 week period ended 5 January 2017 £000	53 week period ended 7 January 2016 £000
Interest receivable	**-**	(3)
Interest payable:		
On bank loans and overdrafts	**58**	14
On finance leases	**18**	8
Interest charged on intercompany loan with Bluestone Resorts Wales Limited	**19**	-
Notional interest on shareholder loan	**340**	348
Total interest payable and similar charges	**435**	370

The notional interest charge relates to a shareholder loan which was repaid in full on 16th December 2016. As the loan was interest free, it was treated as a financing transaction under FRS 102. The interest free loan has been replaced by an intercompany loan following the acquisition of the Group by Bluestone Resorts Wales Limited on 16th December 2016. This loan has interest applied at a market rate, see note 15.

8 Taxation

Analysis of charge in the financial period

	52 week period ended 5 January 2017 £000	53 week period ended 7 January 2016 £000
Current tax:		
UK corporation tax based on the result for the financial period	**-**	-
Total current tax	**-**	-
***Deferred tax** (note 16):*		
Origination and reversal of timing differences	**(1,057)**	(563)
Total tax	**(1,057)**	(563)

Notes *(continued)*

8 Taxation *(continued)*

Reconciliation of effective tax rate	**52 week period ended 5 January 2017 £000**	53 week period ended 7 January 2016 £000
(Loss)/profit for the period	**(3,556)**	1,157
Total tax credit	**1,057**	563
(Loss)/profit excluding tax	**(4,613)**	594
Tax using the UK corporation tax rate of 20% (2015: 20.25%)	**(923)**	120
Impairment expense not allowable for tax purposes	**1,281**	-
Other expenses not allowable for tax purposes	**1**	(8)
Depreciation on assets ineligible for capital allowances	**133**	147
Utilisation of losses brought-forward	**(356)**	-
Movement in unprovided deferred tax	**(1,480)**	(1,458)
Change in tax rates on unprovided deferred tax	**287**	636
Total tax credit included in profit or loss	**(1,057)**	(563)

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 5 January 2017 has been calculated based on these rates.

9 Intangible fixed assets – negative goodwill

Group	**Negative Goodwill £000**
Cost	
At 7 January 2016	(18,366)
At 5 January 2017	**(18,366)**
Amortisation	
At 7 January 2016	1,043
Amortisation for the financial period	418
At 5 January 2017	**1,461**
Net book value	
at 7 January 2016	(17,323)
At 5 January 2017	**(16,905)**

Notes *(continued)*

10 Tangible fixed assets

	Land and buildings	Motor vehicles	Fixtures & fittings, Property improvements and computer equipment	Assets under construction	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 7 January 2016	41,507	296	6,910	5,598	**54,311**
Reclassification	5,240	-	305	(5,545)	**-**
Additions	2,958	45	1,548	269	**4,820**
At 5 January 2017	49,705	341	8,763	322	**59,131**
Depreciation					
At 7 January 2016	11,044	109	4,338	-	**15,491**
Charge for the financial period	853	70	961	-	**1,884**
Provision for impairment	6,406	-	-	-	**6,406**
At 5 January 2017	18,303	179	5,299	-	**23,781**
Net book value					
At 7 January 2016	30,463	187	2,572	5,598	38,820
At 5 January 2017	**31,402**	**162**	**3,464**	**322**	**35,350**

As part of the MBO transaction on 16th December 2016, an independent valuation on the freehold interest in the property of Bluestone Resorts Limited was undertaken by Jones Lang Lasalle. The value in use calculation used to determine the value was based on cash flow projections for a 10 year period discounted to their present value. The recoverable amount was determined to be less than the carrying amount of fixed assets. Based on the valuation conducted by Jones Lang Lasalle and management's assessment at the reporting date, an impairment charge of £6,406,000 to the company's fixed assets has been recognised in the period.

The directors recognise that this valuation is an area of uncertainty and are confident that the projections assumed in arriving at the impairment of £6,406,000 can be achieved and, on the basis of the assumptions adopted, have concluded this charge is appropriate.

Included in the net book value of tangible fixed assets within motor vehicles and fixtures and fittings is £474,000 *(2015: £171,000)* in respect of assets held under finance leases. Depreciation for the financial period on these assets was £127,000 *(2015: £11,000)*.

Notes *(continued)*

11 Fixed asset investments

Company	**Shares in group undertaking £000**
Cost or valuation	
At 7 January 2016	4,659
Reverse remaining notional interest held in the capital contribution reserve on repayment of shareholder loan notes (note 15)	(2,907)
At 5 January 2017	1,752
Impairment	
At 7 January 2016 and 5 January 2017	-
Net book value	
At 7 January 2016	**4,659**
At 5 January 2017	1,752

Details of the subsidiaries can be found under note 21.

All subsidiaries have been included in the consolidation.

Group	**Unlisted investments £000**
Cost	
At 7 January 2016 and 5 January 2017	15
Impairment	
At 7 January 2016 and 5 January 2017	-
Net book value	
At 7 January 2016 and 5 January 2017	**15**

The investment constitutes 94 ordinary shares in Nisa-Today's (Holdings) Limited.

12 Stocks

	5 January 2017		7 January 2016	
	Group £000	**Company £000**	Group £000	Company £000
Raw material and consumables	**283**	**-**	318	-
	283	**-**	318	-

Notes *(continued)*

13 Debtors

	5 January 2017		7 January 2016	
	Group	**Company**	Group	Company
	£000	**£000**	£000	£000
Due within one year				
Trade debtors	-	-	3	-
Other debtors	**278**	-	235	-
Deferred tax asset	**1,620**	-	563	-
Prepayments and accrued income	**805**	-	698	-
	2,703	-	1,499	-

	5 January 2017		7 January 2016	
	Group	**Company**	Group	Company
	£000	**£000**	£000	£000
Due after more than one year				
Amount owed by group undertakings	-	-	-	8,587
Deferred tax asset	**1,295**	-	413	-
	1,295	-	413	8,587

The deferred tax asset has arisen as a result of the upturn in trading and profits, meaning that a portion of tax losses are now recognisable under FRS 102. Of the total deferred tax asset, £1,295,000 *(2015: £413,000)* is due in more than one year.

14 Creditors: amounts falling due within one year

	5 January 2017		7 January 2016	
	Group	**Company**	Group	Company
	£000	**£000**	£000	£000
Bank overdraft (secured)	-	-	2,775	-
Amounts owed to group undertakings	-	**312**	-	-
Net obligations under finance leases	**155**	-	48	-
Other creditors	**15**	-	34	-
Trade creditors	**1,693**	-	1,873	-
Social security and other taxes	**626**	-	206	-
Accruals and deferred income	**4,397**	-	3,513	-
Government grants deferred	**177**	-	71	-
	7,063	**312**	8,520	-

The bank overdraft of £nil *(2015: £2,775,000)* is held with Barclays Bank plc, who has a first legal charge over various leasehold and freehold property at the Company. The bank also has a cross guarantee and debenture with the company, Bluestone Resorts Group Limited, Bluestone Resorts Holdings Limited and Bluestone Resorts Wales Limited. The interest on the bank overdraft is charged at 2.50% over Bank of England Base Rate (currently 0.25%).

Notes *(continued)*

15 Creditors: amounts falling due after more than one year

	5 January 2017		7 January 2016	
	Group	**Company**	Group	Company
	£000	**£000**	£000	£000
Shareholder loan notes	-	-	8,792	8,792
Obligations under finance leases	**332**	-	97	-
Other creditors	-	-	110	110
Amounts owed to group undertakings	**13,787**	-	-	-
Government grants deferred	**1,097**	-	168	-
	15,216	-	9,167	8,902

Included within the above are amounts falling due as follows:

	5 January 2017		7 January 2016	
	Group	**Company**	Group	Company
	£000	**£000**	£000	£000
Over five years:				
Shareholder loan notes	-	-	8,792	8,792
Other creditors	-	-	110	110
Government grants deferred	**589**	-	107	-
	589	-	9,009	8,902

Shareholder loan notes outstanding in the prior financial period were due for repayment in 2023. However, these were fully repaid on 16th December 2016 as part of the group restructure. The previous loan balance had been discounted using the effective interest method using an assumed market rate of interest of 4%. At the outset of the loan, the initial discount was credited to the capital contribution reserves account.

In the prior financial period, other creditors were amounts due to the directors in relation to the acquisition of Bluestone Resorts Group Limited in 2013. These amounts were also fully repaid on 16th December 2016 and were discounted on the same basis.

On 16th December 2016, Bluestone Resorts Holdings Limited and its subsidiaries were acquired by Bluestone Resorts Wales Limited. The shareholder and directors loans, as mentioned above, were paid back in full through additional borrowing in the new parent company, Bluestone Resorts Wales Limited. The parent company has lent this money on the same terms to Bluestone Resorts Limited, a subsidiary of Bluestone Resorts Holding limited. This balance owed to Bluestone Resorts Wales Limited incurs an intercompany interest charge representing LIBOR plus 1.95% per annum. This rate is directly linked to the borrowing with Barclays bank plc in the ultimate parent undertaking, Bluestone Resorts Wales Limited. The loan principal is repayable over 5 years with quarterly instalments of £250,000 commencing on 31 March 2018 and the balance due on 31 December 2021. Therefore, the balance will be settled or re-financed within 5 years.

Notes *(continued)*

16 Deferred taxation

Amounts recognised and unrecognised in respect of deferred tax at the effective tax rate are set out below:

	5 January 2017		7 January 2016	
	Amounts provided £000	**Amounts unprovided £000**	Amounts provided £000	Amounts unprovided £000
Fixed asset timing differences	**559**	**-**	672	-
Short term timing differences	**(5)**	**-**	(11)	-
Losses	**(2,174)**	**(3,756)**	(1,224)	(5,367)
	(1,620)	**(3,756)**	(563)	(5,367)

The deferred tax asset has been recognised in the financial statements 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 available to utilise the asset.

17 Share capital

	5 January 2017 £	7 January 2016 £
Allotted, called up and fully paid		
16,697 *(2015: 379,717)* A ordinary shares of £0.01 each	**167**	3,797
945,072 *(2015: 582,052)* A deferred shares of £0.01 each	**9,451**	5,821
5,390 B1 ordinary shares of £0.01 each	**54**	54
500 B2 ordinary shares of £0.01 each	**5**	5
2,310 C ordinary shares of £0.01 each	**23**	23
30,031 *(2015: 30,021)* D ordinary shares of £0.01 each	**300**	300
	10,000	10,000

At 5 January 2017, the issued share capital of the company was £10,000 *(2015: £10,000).*

Following the repayment of £12,148,000 in shareholder's loan notes during the current financial period, 363,020 A Shares have been converted to Deferred A Shares, as per the shareholders agreement.

The D ordinary shareholders are entitled to 3% of a dividend or other distribution of capital. The A, B and C ordinary shareholders are entitled to receive a dividend or other distribution of capital following the payment or distribution to all D ordinary shareholders pro rata in relation to their shareholding in the issued share capital of the company.

The A, B and D ordinary shareholders are entitled to vote at any general meeting. The C ordinary shares carry no voting rights.

Notes *(continued)*

18 Pension commitments

The Group operates a defined contribution pension scheme. The pension cost charge for the financial period represents contributions payable by the Group to the scheme and amounted to £65,000 *(2015: £58,000)*.

There was £11,000 outstanding (*2015: £5,000*) in contributions at the balance sheet date.

19 Operating leases

Non-cancellable operating lease total commitments are as follows:

	5 January 2017		7 January 2016	
	Land and buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Group – Lease expires;				
Within one year	**90**	**191**	90	191
Between one and five years	**322**	**266**	334	456
After more than five years	**3,310**	**-**	3,387	-
	3,722	**457**	3,811	647

20 Related party transactions

In 2013, unsecured loan notes were issued and were due to related parties by the Group and Company as follows. These were repaid as part of the group restructure on 16th December 2016:

	Relationship	**As at 7 January 2016**	**Notional Interest**	**Unwind remaining notional interest**	**Loan repayment**	**As at 5 January 2017**
		£000	**£000**	**£000**	**£000**	**£000**
D Briere De L'Isle	Shareholder	4,044	154	1,321	(5,519)	-
HV Stevens	Director/shareholder	4,044	154	1,321	(5,519)	-
AC Probert	Director/shareholder	704	26	230	(960)	-
		8,792	334	2,872	(11,998)	-

At the balance sheet date, the following amounts were due to the directors of the Company in relation to the acquisition of Bluestone Resorts Group Limited: These were also repaid as part of the group restructure on 16th December 2016:

	Relationship	**As at 7 January 2016**	**Notional Interest**	**Unwind remaining notional interest**	**Loan repayment**	**As at 5 January 2017**
		£000	**£000**	**£000**	**£000**	**£000**
JW McNamara	Director/shareholder	42	2	14	(58)	-
P McNamara	Director/shareholder	35	2	11	(48)	-
N Evans	Director/shareholder	33	2	11	(46)	-
		110	6	36	(152)	-

Notes *(continued)*

20 Related party transactions (Continued)

At the balance sheet date, £13,787,000 was owed to Bluestone Resorts Wales Limited, the ultimate parent company of the group. Bluestone Resorts Wales Limited will be included as part of the consolidation as an extended financial period in the following financial period. The balance owed to Bluestone Resorts Wales Limited is made up of the following;

	£000
Brought forward balance	-
Barclays loan drawn down by Bluestone Resorts Wales Limited on lent to Bluestone Resorts Limited	14,000
Refinance costs paid for by Bluestone Resorts limited	(232)
Accrued loan interest on balance with Bluestone Resorts Wales Limited	19
Carried forward balance (See note 15)	13,787

21 Principal subsidiaries

The Company has the following investments in subsidiaries, all of which are incorporated in Wales in the UK:

Company name	Percentage shareholding	Description
Bluestone Resorts Group Limited	100%	Intermediate holding company
Bluestone Resorts Limited	100%*	Hospitality and leisure trading company

* held indirectly

The registered address of both companies is The Grange, Canaston Wood, Narberth, Pembrokeshire, SA67 8DE.

22 Ultimate controlling party

The ultimate controlling party of the Bluestone Resorts Holdings Limited group is Bluestone Resorts Wales Limited. Bluestone Resorts Wales Limited, was incorporated on 26 September 2016 for the purpose of acquiring the group as part of the transaction on 16 December 2016. As such, it will prepare its first financial statements for the 15 month financial period ending 4 January 2018. By virtue of the shareholding structure, there is no sole ultimate controlling party for Bluestone Resorts Wales Limited.

23 Accounting estimates and judgements

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial period in which the estimate is revised if the revision affects only that financial period, or in the financial period of the revision and future financial periods if the revision affects both current and future financial periods.

Critical accounting judgements in applying the Group's accounting policies

The following are critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

i. Useful economic lives and valuation of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, utilisation and the physical condition of the assets.

The company considers whether tangible assets are impaired. Where an indication of impairment is identified, it is necessary to estimate the recoverable value of the asset.

Notes *(continued)*

23 Accounting estimates and judgements (Continued)

As per note 10, the directors have assessed the carrying value of fixed assets in the current period based on cash flow projections for a 10 year period discounted to their present value, and concluded that an impairment was needed. The directors are confident the projections are achievable and, on the basis of the assumptions adopted, have concluded that the carrying value of fixed assets is appropriate following the impairment.

ii. Recognition of deferred tax asset

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. In the justification of the deferred tax asset, the directors have considered the estimated profits over a medium term forecast and have judged that there will be sufficient profits to justify recognition of the asset