

The Balmoral Hotel Edinburgh Limited

Report and Financial Statements

Year ended

30 April 2020

Company Number 08472373

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The Balmoral Hotel Edinburgh Limited

Report and financial statements for the year ended 30 April 2020

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Directors

The Hon Sir Rocco J V Forte
Maurizio Saccani

Registered office

70 Jermyn Street, London, SW1Y 6NY

Auditor

BDO LLP, 55 Baker Street, London, W1U 7EU

Bankers

Bank of Scotland, The Mound, Edinburgh, EH1 1YZ

Solicitors

Forsters LLP, 31 Hill Street, London, W1J 5LS

The Balmoral Hotel Edinburgh Limited

Strategic report for the year ended 30 April 2020

The Directors present their strategic report and the audited financial statements for the year ended 30 April 2020.

Review of operations

The principal activity of the Company is the operation and ownership of The Balmoral Hotel in Edinburgh. The hotel is part of the Rocco Forte Group of luxury hotels.

Prior to the outbreak of Covid-19, the Company expected to deliver strong revenue results for the year. However, with the severe disruption in the final quarter, the Company achieved full year revenues of £26.4m (2019: £25.9m) which was still £0.5m, or 1.7%, ahead of the prior year. At the end of the third quarter of the financial year, the Company had achieved year-on-year revenue growth of 14.9%.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) for the year was £7.1m (2019 - £6.6m).

Performance indicators

In addition to regular review of the financial performance of the company, the Directors closely monitor a number of performance indicators alongside the financial results of the hotel. These include the rate and occupancy performance of the hotel compared to its local competitive set, independent assessments of service quality against operational service standards, employment engagement surveys with staff, direct research with customers, comment cards and online feedback direct to the hotel or through the feedback website.

The Directors were satisfied with the performance of the hotel during the financial year.

Future developments

The Company continues to invest in the hotel through on-going capital investment programmes, in both rooms and public areas, so as to support, maintain and strengthen its respective position in its local market as well as help maintain the brand's position as one of the leading luxury hotel companies in the world.

During the current financial year, the Company continued with the rolling rooms refurbishment programme.

Covid-19 pandemic implications and actions

The Covid-19 pandemic has had a significant impact on society which has resulted in considerable economic disruption across the globe. During the month of March, the Company had to close the hotel temporarily as a result of the restrictions imposed on the hospitality industry. The Company re-opened the hotel in August, albeit with significant restrictions on operations to comply with local best practice Covid-19 safety requirements.

Prior to reopening the hotel, the Company worked closely with local authorities and other specialist advisors to devise rigorous safety guidelines and protocols which complied with best practice Covid-19 safety measures. A senior team member was appointed as a dedicated health and safety officer with responsibility for ensuring adherence with Covid-19 safety measures. The wider Group invested heavily in safety equipment, revised service guidelines, reconfigured hotel properties and required all employees to participate in extensive safety training before returning to work. Trading in August and September was encouraging and surpassed initial expectations set on reopening the estate. However, demand has weakened more recently as strict Covid-19 restrictions were reintroduced in Scotland. With limited international travel, demand is predominantly from domestic markets.

While Covid-19 infection rates are high and significant restrictions are imposed on social activities, hospitality demand will remain depressed. It is unclear how long these challenging market conditions will prevail. The directors therefore recognise that there is uncertainty over which they have no control. In response, the Company and the wider Group has taken a number of steps, including, but not limited to: availing of Covid-19 related government incentives; tax reliefs; cost containment measures; renegotiating existing commitments; deferring additional short-term commitments; suspending shareholder dividend payments; extending and amending existing financing facilities; and entering new funding facilities.

The Balmoral Hotel Edinburgh Limited

Strategic report for the year ended 30 April 2020

Covid-19 pandemic implications and actions (continued)

The Company and the wider Group has modelled a range of outcomes, based on different scenarios of how long it will take for normalised trading to resume. Further information on the impact to the going concern assessment is disclosed on pages 12 and 13. Until the trading environment improves, the Company and the wider Group will contain costs and optimise the use of reserves.

In October and November, more stringent restrictions were temporarily imposed on hospitality in Scotland, however the hotel continued to operate on a reduced offering in accordance with laws and regulations put in place.

Funding arrangements

The Company is funded through internal Group funding arrangements, via a long term loan with floating rates of interest. The Group has core financial facilities to which the Company is party with Bank of Scotland and ICICI Bank.

Principal risks and uncertainties

The Directors consider the following to be the principal risks and uncertainties facing the Company:

- Covid-19 or other pandemic-related restrictions imposed on the travel and hospitality industries;
- Increased competition and supply in the luxury hotel market in Edinburgh and the UK;
- Any terrorist activities that could deter international travel;
- Cyber-attacks could disrupt business continuity or compromise the integrity and security of customer and employee data;
- The ability to retain and recruit sufficient numbers of skilled team members in an increasingly competitive employment market could affect operational continuity and profitability;
- Global issues such as conflicts and disputes that could affect international travel;
- Possible economic downturn and the associated impact on domestic and international travel; and
- Exchange and interest rate movements (see financial risk management).

The Directors take measures to minimise the exposure of the Company to these risks on an ongoing basis. These risks and uncertainties are constantly monitored and managed through the Company's internal control processes and reporting structures.

Environmental sustainability

The Company is committed to minimising the impact of the hotel on the environment and to adopting sustainable policies across all activities. In the last year, a task force was established to enhance the sustainability policies of the Company and the wider Group and to formulate a roadmap to achieve the organisation's sustainability targets. Key activities undertaken in the last year, include: performing gap analysis at the hotel; establishing green teams; highlighting awareness amongst employees and guests; reviewing the consumption of single-use plastic; implementing energy-saving solutions; and examining waste-free options.

The Company has started tracking performance in this important area and in the future the organisation expects to report on environmental and sustainability governance, strategy, risk management and the Company and wider Group's performance using the Task Force on Climate related Financial Disclosures framework published by the Financial Reporting Council.

The Balmoral Hotel Edinburgh Limited

Strategic report (continued) for the year ended 30 April 2020

Employee recruitment and development

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. Annual independent employee engagement surveys are undertaken with a view to understand better the opinions of staff in matters that affect them. The Company and the wider Group seeks to develop people and provide them with promotion opportunities wherever possible.

The Company is committed to attracting and recruiting the best talent for each role based on an individual's experience, skills and qualities, irrespective of gender, age, race, disability, religion or belief, marital or civil partnership status or sexual orientation.

The Company's employment policies meet relevant standards on employment of disabled people. Full and fair consideration is given to disabled applicants for employment and training and career development is encouraged on the basis of aptitude and ability. It is Group policy to retain employees who become disabled whilst in its service and to provide specialist training where appropriate.

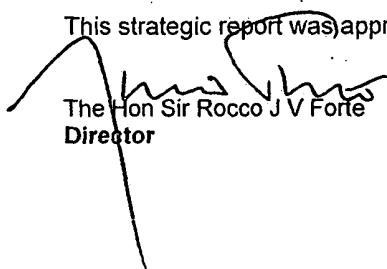
Duty to promote the success of the Company

The Directors work to promote to success of the Company for the benefit of its members as a whole with regard to its stakeholders and to the matters set out in Section 172 of the Companies Act 2006.

The Board oversees approval, endorsement, review and monitoring functions. In discharging these functions, the Board delegates certain responsibilities to key management personnel, who report back to the Board on key areas of focus. The success of the Company and the wider Group is determined by positive and effective stakeholder engagement. The Company and the wider Group's key stakeholders are considered to be investors and debtholders, customers, suppliers, employees and the communities and environments in which the Company operates. All decisions made by the Directors consider the impact on each stakeholder group. Throughout the year the Company and the wider Group proactively communicated the organisation's objectives and strategy to each stakeholder grouping.

The principal decisions made by the Board relate to the Company and the wider Group's response to the challenges presented by the Covid-19 pandemic and the restrictions imposed on the hospitality industry. The Board's strategy and decisions have been disclosed throughout the financial statements. The Directors confirm that throughout the year they have acted in good faith to promote the success of the Company for the benefit of its members as a whole.

This strategic report was approved on behalf of the Board on 16 December 2020 by:



The Hon Sir Rocco J V Forte
Director

The Balmoral Hotel Edinburgh Limited

Directors' report for the year ended 30 April 2020

The Directors present their annual report and the audited financial statements for the year ended 30 April 2020.

Directors

The Directors of the Company, all of whom served throughout the year, except as noted were:

The Hon Sir Rocco J V Forte
Maurizio Saccani

Results and dividends

The profit for the year after taxation was £3.2m (2019 - £3.4m). The Company did not pay a dividend in the current year. In the prior year an interim dividend totalling £3.5m was paid to Rocco Forte Hotels Limited, the Company's immediate and ultimate parent company.

Financial risk management

The Company does not actively use financial instruments as part of its financial risk management strategy. It is exposed to credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price risk or liquidity risk.

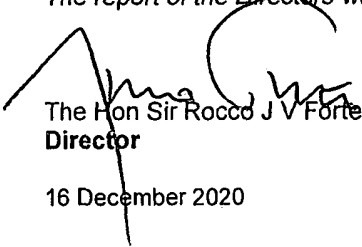
The Company is partly financed by way of a long term loan from a group company.

Provision of information to auditor

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

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that Director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditor in connection with preparing its report and to establish that the Company's auditor is aware of that information.

The report of the Directors was approved on behalf of the Board by:



The Hon Sir Rocco J V Forte
Director

16 December 2020

The Balmoral Hotel Edinburgh Limited

Directors' responsibilities statement for the year ended 30 April 2020

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements the directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Balmoral Hotel Edinburgh Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF THE BALMORAL HOTEL EDINBURGH LIMITED

Opinion

We have audited the financial statements of The Balmoral Hotel Edinburgh Limited ("the Company") for the year ended 30 April 2020 which comprise the profit and loss statement, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (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 30 April 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements, which indicates the directors' considerations over going concern including the potential impact of COVID-19, the level of available funding, including facilities negotiated subsequent to the year end and that the Group, and through its cross-guarantee with other group entities within the primary facilities group, the Company, is reliant on agreeing revised covenants with its primary lenders before its next year end and meeting these covenants or agreeing further waivers or agreeing a suitable cure. Notwithstanding the availability of financial resources at the Group's disposal, in the event that bank covenant breaches occurred and further waivers could not be obtained, or a suitable cure agreed then the Group, and therefore the Company, would need to seek alternative financial arrangements. As stated in note 1 to the financial statements these events or conditions, along with the other matters as set out in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The Balmoral Hotel Edinburgh Limited

Independent auditor's report (*continued*)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and 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 and 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.

The Balmoral Hotel Edinburgh Limited

Independent auditor's report (continued)

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Mark RA Edwards (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London

17 December 2020

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

The Balmoral Hotel Edinburgh Limited

Profit and loss statement for the year ended 30 April 2020

	Note	2020 £'000	2019 £'000
Turnover	2	26,377	25,925
Cost of sales		(12,395)	(12,098)
Gross profit		13,982	13,827
Administrative expenses		(8,942)	(8,725)
Other income	3	488	-
Operating profit		5,528	5,102
Interest income	4	14	10
Interest payable	5	(1,441)	(1,415)
Profit on ordinary activities before taxation	6	4,101	3,697
Tax charge on profit on ordinary activities	9	(942)	(259)
Profit and total comprehensive income for the year		3,159	3,438

All activities are in respect of continuing operations.

The notes on pages 12 to 23 form part of these financial statements.

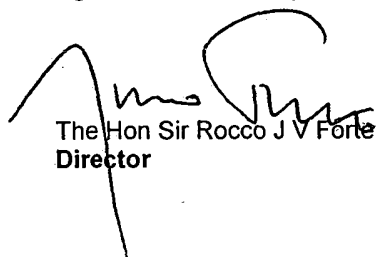
The Balmoral Hotel Edinburgh Limited

Company number 08472373

Balance sheet at 30 April 2020

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Fixed assets					
Tangible fixed assets	10		40,857		41,402
Intangible assets	11		5		11
			<hr/>		<hr/>
			40,862		41,413
Current assets					
Stock	12	436		395	
Debtors due within one year	13	751		822	
Cash at bank and in hand		1,024		755	
		<hr/>		<hr/>	
		2,211		1,972	
Creditors: amounts falling due within one year	14	(4,742)		(4,194)	
		<hr/>		<hr/>	
Net current liabilities			(2,531)		(2,222)
Total assets less current liabilities			<hr/>		<hr/>
			38,331		39,191
Creditors: amounts falling due after more than one year	15		(29,274)		(33,492)
Deferred taxation	9		(616)		(417)
			<hr/>		<hr/>
Net assets			8,441		5,282
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	16		-		-
Profit and loss account			8,441		5,282
			<hr/>		<hr/>
Shareholder's funds			8,441		5,282
			<hr/>		<hr/>

The financial statements were approved by the Board and authorised for issue on 16 December 2020. They were signed on its behalf by:


The Hon Sir Rocco J V Forte
Director

The notes on pages 12 to 23 form part of these financial statements.

The Balmoral Hotel Edinburgh Limited

Statement of Changes in Equity for the year ended 30 April 2020

	Share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 May 2019	-	5,282	5,282
Profit for the year	-	3,159	3,159
Dividends paid	-	-	-
Balance at 30 April 2020	-	8,441	8,441

Statement of Changes in Equity for the year ended 30 April 2019

	Share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 May 2018	-	5,344	5,344
Profit for the year	-	3,438	3,438
Dividends paid	-	(3,500)	(3,500)
Balance at 30 April 2019	-	5,282	5,282

The notes on pages 12 to 23 form part of these financial statements.

The Balmoral Hotel Edinburgh Limited

Notes forming part of the financial statements for the year ended 30 April 2020

1 Accounting policies

Statement of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared on a historical cost basis. The presentation currency used is pound sterling and amounts have been presented in round thousands ("£000s").

The Company's immediate and ultimate parent company, Rocco Forte Hotels Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Rocco Forte Hotels Limited, which is incorporated in the UK, are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are publically available.

In preparing the financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore the following disclosures have not been provided:

- A statement of cash flows;
- Certain comparative information as otherwise required by EU endorsed IFRS;
- Disclosure of related party transactions with other wholly owned members of the group headed by Rocco Forte Hotels Limited;
- Certain financial instrument disclosures as provided in the consolidated financial statements of Rocco Forte Hotels Limited; and
- The effect of future accounting standards not yet adopted.

The Company has also taken disclosure exemption for Financial Instruments as the information is included within Rocco Forte Hotels Limited consolidated financial statements.

Going Concern assessment

The Company reports net current liabilities for the year and therefore requires support from its parent company, Rocco Forte Hotels Limited. The parent company has agreed to provide additional loan facilities to the Company to support such obligations as and when they fall due for a period of at least 12 months from the date of approval of these financial statements if required.

As described in note 18 the Company is party to a Group loan facility over which Group lenders have a cross guarantee. The Company has prepared the financial statements for the year ended 30 April 2020 on a going concern basis. The measures implemented by national Governments in response to the Covid-19 pandemic are still evolving and their impact on the global economy are being continually re-assessed. The restrictions on domestic and international travel in particular have a direct impact on revenues in the hospitality industry. As it is not possible to predict how long these will continue, it is difficult for the Company to make reliable forecasts in the short-term and the Directors recognise that there are uncertainties over which they have no control.

In light of the challenging economic environment, the Group has taken a number of steps, including, but not limited to: availing of Covid-19 related government incentives; tax reliefs; cost containment measures, including temporary salary reductions and redundancies; renegotiating existing commitments and deferring short-term expenditure; suspending shareholder dividend payments; extending and amending existing financing facilities; and securing new funding facilities. In addition, the Group's primary lenders have agreed to waive short-term covenant reporting obligations for the financial year ending April 2021 and amend future performance related obligations in advance of the financial year starting May 2021, when the future economic conditions are likely to be less volatile, such that more reliable forecasts can be produced. The Directors are confident that such amendments will proceed as anticipated.

The Balmoral Hotel Edinburgh Limited

Notes forming part of the financial statements for the year ended 30 April 2020 (continued)

1 Accounting policies (continued)

Going Concern assessment (continued)

As noted above, while the Directors have every expectation that covenant obligations within the primary lenders facilities for the financial year starting May 2021 will be agreed with a view to providing every opportunity for trading patterns to allow these to be met, there is an inherent uncertainty within this which is beyond the control of the Board. Notwithstanding the availability of financial resources at the Group's disposal, in the event that bank covenant breaches occurred and further waivers could not be obtained, or a suitable cure agreed then the Group, and therefore the Company, would need to seek alternative financial arrangements. As a result a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business. Given the Group's strong liquidity, the continued support of lenders, the Board's confidence in agreeing appropriate covenants for the next financial year and the steps taken to date to contain the cost base during this period of uncertainty, the Directors believe that the Company has sufficient financial resources to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

It is the Company's policy to maintain its properties in good condition and to a high standard. The Company depreciates freehold buildings over their useful economic life which is deemed to be 50-100 years, taking into account estimated residual values. No depreciation is provided in respect of freehold land.

Furniture, fittings and equipment are depreciated on a straight line basis, over 3 to 20 years depending on their estimated useful lives, from the date they are ready for use. Plant and equipment is depreciated on a straight line basis, over 15 to 25 years depending on their estimated useful lives from the date they are ready for use. It is the Company's policy not to provide depreciation on assets under construction.

Amounts due from and amounts due to Group subsidiaries

Amounts due from and amounts due to Group subsidiaries are initially recognised at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. The carrying value is reviewed at each reporting date to determine whether there is any indication of impairment. Impairment losses are recognised in the profit and loss statement.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the exchange rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to functional currency at the relevant rates of exchange ruling on the last day of the period. Foreign exchange differences arising on translation are recognised in the profit and loss statement.

Taxation

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities including interest. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Deferred tax

Deferred tax assets and liabilities are recognised in respect of temporary differences between the tax base and carrying value of assets and liabilities. Deferred tax assets are recognised to the extent that it is regarded as probable that the deductible temporary differences can be realised. The recoverability of all deferred tax assets is re-assessed at the end of each reporting period. Deferred tax is calculated at the tax rates that are expected to apply in the periods in which the asset or liability will be settled, based on rates enacted or substantively enacted at the end of the reporting period.

The Balmoral Hotel Edinburgh Limited

Notes forming part of the financial statements for the year ended 30 April 2020 (*continued*)

1 Accounting policies (*continued*)

Turnover

Turnover represents amounts receivable for accommodation, food and beverage sales and ancillary hotel services provided in the normal course of business. It is recorded net of trade discounts, VAT and other sales related taxes. Turnover is recognised when control of the goods and services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. All turnover arises in the United Kingdom.

Deposits which have been received at the balance sheet date for which services have not yet been provided are included in accruals and deferred income within creditors.

Stock

Stock is stated at the lower of cost and net realisable value. Allowances are made for obsolete or slow-moving items where appropriate.

Intangible assets

Intangible assets acquired separately are measured at cost less amortisation and impairment. Computer software is depreciated on a straight line basis over 3 to 5 years depending on its estimated useful lives.

Employee benefits

The Company has a defined contribution plan. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss statement.

The Company recognises an accrual for employee entitlements which are payable and unpaid at the reporting date.

Interest income and expenses

Interest receivable and payable is recognised in the profit and loss statement as it accrues, using the effective interest rate method.

Grant income

The Company recognises an unconditional government grant related to the Coronavirus Job Retention Scheme as other income when the grant becomes receivable. Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved and paid.

Debtors

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

The Balmoral Hotel Edinburgh Limited

Notes forming part of the financial statements for the year ended 30 April 2020 (*continued*)

1 Accounting policies (*continued*)

Cash at bank and in hand

Cash is represented by cash in hand and deposits held at call with financial institutions.

Creditors

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

Financial assets

Under IAS 39, financial assets were classified as loans and receivables. Under IFRS 9, financial assets are classified, at initial recognition, as subsequently measured at amortised cost. Trade receivables that do not contain a significant financing component or for which the Company has applied are measured at the transaction price determined under IFRS 15. Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Interest income and expenses

Interest receivable and payable is recognised in the profit and loss statement as it accrues, using the effective interest rate method.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved and paid.

Debtors

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

Cash at bank and in hand

Cash is represented by cash in hand and deposits held at call with financial institutions.

Creditors

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

The Balmoral Hotel Edinburgh Limited

Notes forming part of the financial statements for the year ended 30 April 2020 (*continued*)

1 Accounting policies (*continued*)

Critical accounting estimates and assumptions

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment testing

Intangible assets, property, plant and equipment and intercompany debtors are tested for impairment when events or circumstances indicate that their carrying value may not be recoverable.

Tangible and intangible fixed assets and depreciation

Management determines the estimated useful lives and related depreciation charges for the Company's tangible and intangible fixed assets. Management will revise the depreciation charge where useful lives are different to those previously estimated, or it will write off or write down obsolete assets.

The Balmoral Hotel Edinburgh Limited

Notes forming part of the financial statements
for the year ended 30 April 2020 (continued)

2 Segmental information

The turnover and trading results are attributable to the operation of the Balmoral Hotel, Edinburgh.

3 Other income

	2020 £'000	2019 £'000
Government incentive	488	-

4 Interest income

	2020 £'000	2019 £'000
External interest receivable	14	10

5 Interest payable

	2020 £'000	2019 £'000
Interest payable to a Group company	1,441	1,415

6 Profit on ordinary activities before taxation

	2020 £'000	2019 £'000
Profit on ordinary activities before taxation is stated after charging:		
Amortisation	6	7
Depreciation	1,552	1,467
Lease rentals:		
- plant and equipment	7	7
Auditor's remuneration:		
- for audit services	26	22
- for taxation services	3	3

The Balmoral Hotel Edinburgh Limited

Notes forming part of the financial statements
for the year ended 30 April 2020 (*continued*)

7 Staff costs

The average monthly number of employees during the year was:

	2020 Number	2019 Number
Operational	264	276
Sales	14	14
Administration	17	18
	<hr/>	<hr/>
	295	308

The aggregate remuneration for the year was:

	£'000	£'000
Wages and salaries	6,662	6,999
Social security costs	606	614
Pension costs – defined contribution plan	115	79
	<hr/>	<hr/>
	7,383	7,692

8 Directors' remuneration

Total Director Remuneration in the year was £30,000 (2019 - £30,000). The highest paid Director received £30,000 (2019 - £30,000).

The Balmoral Hotel Edinburgh Limited

Notes forming part of the financial statements for the year ended 30 April 2020 (continued)

9 Tax charge on profit on ordinary activities

The current tax charge in 2020 was £743,000 (2019 - £11,000). The Company's deferred tax expense was £199,000 in 2020 (2019 - £248,000).

The difference between the total current tax shown and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2020 £'000	2019 £'000
Profit on ordinary activities before tax	4,101	3,697
Tax charge at 19% (2019 - 19%)	780	702
Effects of:		
Group relief claimed	-	(382)
Expenses not deductible for tax purposes	9	48
Adjustment in relation to prior periods – current tax	96	(195)
Adjustment in relation to prior periods – deferred tax	7	103
Deferred tax adjustments	50	(17)
Total tax charge for the year	942	259

The deferred tax assets or liabilities recognised as at 30 April 2020 are as follows:

	2020 £'000	2019 £'000
Accelerated capital allowances	619	421
Other timing differences	(3)	(4)
Deferred tax liability	616	417

The Balmoral Hotel Edinburgh Limited

Notes forming part of the financial statements
for the year ended 30 April 2020 (continued)

10 Tangible fixed assets

	Land and Buildings £'000	Plant and equipment £'000	Furniture, fittings and equipment £'000	Assets under construction £'000	Total £'000
<i>Cost</i>					
At 1 May 2019	32,283	2,566	12,934	68	47,851
Additions	-	-	1,018	3	1,021
Transfers	-	-	68	(68)	-
Disposals	-	-	(14)	-	(14)
At 30 April 2020	32,283	2,566	14,006	3	48,858
<i>Depreciation</i>					
At 1 May 2019	76	1,388	4,985	-	6,449
Charge for the year	12	127	1,413	-	1,552
Disposals	-	-	-	-	-
At 30 April 2020	88	1,515	6,398	-	8,001
<i>Net book value</i>					
30 April 2020	32,195	1,051	7,608	3	40,857
30 April 2019	32,207	1,178	7,949	68	41,402

The net book values of freehold land and buildings includes non-depreciable land of £8,400,000 (2019 - £8,400,000).

The Balmoral Hotel Edinburgh Limited

Notes forming part of the financial statements
for the year ended 30 April 2020 (*continued*)

11 Intangible assets

	Software £'000	Total £'000
<i>Cost</i>		
At 1 May 2019	34	34
Disposals	(6)	(6)
	<hr/>	<hr/>
At 30 April 2020	28	28
	<hr/>	<hr/>
<i>Depreciation</i>		
At 1 May 2019	23	23
Charge for the year	6	6
Disposals	(6)	(6)
	<hr/>	<hr/>
At 30 April 2020	23	23
	<hr/>	<hr/>
<i>Net book value</i>		
30 April 2020	5	5
	<hr/>	<hr/>
30 April 2019	11	11
	<hr/>	<hr/>

12 Stock

	2020 £'000	2019 £'000
Food and beverage	308	294
Other consumables	128	101
	<hr/>	<hr/>
	436	395
	<hr/>	<hr/>

During the year items of stock which had been utilised amounting to £2,588,000 (2019 - £2,655,000) were recognised as an expense and included in cost of sales.

The Balmoral Hotel Edinburgh Limited

Notes forming part of the financial statements
for the year ended 30 April 2020 (continued)

13 Debtors: amounts due within one year

	2020 £'000	2019 £'000
Trade debtors	42	481
Amounts due from Group companies	496	178
Prepayments and accrued income	166	124
Other debtors	47	39
	<u>751</u>	<u>822</u>

14 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	865	215
Other taxation and social security	616	629
Corporation tax	945	200
Accruals and deferred income	2,316	3,150
	<u>4,742</u>	<u>4,194</u>

15 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Amounts owed to Group companies	<u>29,274</u>	<u>33,492</u>

Amounts due to a Group company bore an interest rate of 4.36%. The loan is due for repayment on 21 September 2025.

16 Called up share capital and reserves

The following describes the nature and purpose of each reserve within equity.

Share Capital - Nominal value of share capital subscribed for. The Company has one ordinary share of £1 in issue.

Profit and loss account - All net gains and losses and transactions with owners (dividends).

The Company did not pay a dividend in the current year. In the prior year an interim dividend totalling £3.5m was paid to Rocco Forte Hotels Limited, the Company's immediate and ultimate parent company.

The Balmoral Hotel Edinburgh Limited

Notes forming part of the financial statements for the year ended 30 April 2020 (continued)

17 Financial commitments

Future minimum lease payments under non-cancellable leases are as follows:

	2020 £'000	2019 £'000
Due within one year	11	6
Between two and five years	8	3
	<hr/>	<hr/>
	19	9
	<hr/>	<hr/>

18 Contingent liabilities

The Company is party to a group loan facility over which the Group's bankers have a cross guarantee secured by way of a fixed and floating charge on the assets of certain group companies. The amount outstanding on this facility at 30 April 2020 was £131,201,000 (2019 - £138,351,000).

19 Ultimate parent company and controlling party

Rocco Forte Hotels Limited is the immediate parent company and is the only group in which the results of the Company are consolidated. Copies of the Group financial statements of Rocco Forte Hotels Limited are publicly available.

The Hon Sir Rocco J.V Forte, a Director of Rocco Forte Hotels Limited, and members of his close family control the Company as a result of controlling directly or indirectly 75% of the issued share capital of Rocco Forte Hotels Limited (2019 - 75%).