

BALBIRNIE HOUSE HOTEL LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2019

BALBIRNIE HOUSE HOTEL LIMITED

COMPANY INFORMATION

Directors	Mr N N Russell Mrs R S Spenke Mrs G Russell
Registered number	SC114360
Registered office	Balbirnie House Balbirnie Park Markinch Glenrothes Fife KY7 6NE
Independent auditors	EQ Accountants LLP Chartered Accountants Pentland House Saltire Centre Glenrothes Fife KY6 2AH

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**STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2019**

Introduction

The directors have the pleasure in presenting their strategic report for the year ended 30 April 2019.

Business review

The principal activity of the company during the year was the operation of a country house hotel, a destination for private and corporate special events.

The directors continue to be satisfied with the operations of the company. Over the last few years, significant re-investment into the fabric of the assets has been successfully enabled to a level which, in percentage terms, is well above industry norms. In the last 5 years this range has broadly speaking been double that of industry norms. The ability to maintain such reinvestment has been beneficial to the company, and as a result, the property is presented to an exceptionally high standard.

The directors acknowledge these latest accounts show a year-on-year 8.3% increase in annual turnover. The directors acknowledge that this has been attributed despite the continuing timeline of a niche element of great uncertainty in the marketplace, caused by the intended UK Brexit.

The directors are very happy indeed, to see a return to profit in this financial year, and acknowledge that compared to the previous financial year, earnings before interest, tax and depreciation (EBITD) has increased by 103%, from £199k to £405k.

Notwithstanding what does lie ahead due to the intended UK Brexit, the directors and management team have still nevertheless successfully managed to re-increase confirmed future diarised core trade bookings as well, with confidence therefore in all trading sustainability.

Looking ahead, core trade diaries continue to be excellent, and the directors remain fully committed to ensuring this equilibrium and status quo is successfully maintained. The 2016 Brexit referendum caused uncertainty for future clients reserving weddings in particular. The company has nevertheless contended with that and can now evidence forward diarised bookings at a level which provides the directors with comfort and confidence.

Based upon diarised trade, the directors anticipate an ongoing and continued return to historic trade levels.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2019**

Principal risks and uncertainties

As with all other companies operating in the hospitality sector, the directors acknowledge that there are many varied risks which the company faces. The directors acknowledge that the main risks include competition from competitors, maintaining a desire from the public for the use of the hotel, and disruption to the supply chain.

Furthermore, it is clear that due to Brexit, there will continue to be accelerating costs. Similarly and specifically stemming from Brexit, there is very significant general uncertainty in the UK Hospitality and Tourism sectors. The directors do not see why Scotland should be dragged out of the EU, given 62% of Scotland voted to remain in the EU. The directors are also saddened to see the loss of ability to employ EU nationals, as a significant proportion of company employees have always previously originated from within the EU.

Despite the defined efforts of a majority of Scotland politicians over numerous years, Westminster-defined tourism VAT still remains vastly inflated above comparables in other EU countries. This significantly places Scotland's Hospitality sector at a disadvantage.

Initiated in 2015 without recourse to any UK Hospitality organisation, phased rises in UK National Minimum Wage, continues in the current 5 year spread at almost 40% increase. The directors consider that those price rises cannot be absorbed by customers, therefore the company has to continue to successfully define more efficient ways either in which to deploy human resources, or to introduce new technology which creates payroll efficiency.

As at winter 2019, the hotel is investing in the installation of a complete technological upgrade across the entire span of reservations systems and operations. The directors feel this is a very significant step towards the stated aim of becoming Scotland's first cashless hotel.

The directors also acknowledge that there is no defined government assistance, for contributing towards the maintenance, safeguarding and improvement of the main asset of the company, Balbirnie House itself. This is despite Balbirnie House being a National Treasure, Grade A Listed 1777 with national importance, which also doubles today as a very significant tourism tax generator.

The directors mitigate these risks by focussing on cutting edge marketing using organically-grown in-house digitalised platforms, and modern era automated efficiencies. Additionally, the company provides excellent services to all guests, and has a reputation, and awards to back up the completely unique facilities.

In 2019 the hotel achieved recognition via The Scottish Hotel of the Year awards scheme, as Scotland's Wedding Hotel of the Year, for the thirteenth time in fifteen years.

In late 2018, the hotel achieved recognition via Haute Grandeur, as 'Best Destination Wedding Retreat', on a global level.

Writing this report as at November 2019, the hotel has now achieved further recognition via Haute Grandeur, as 'Best Destination Wedding Hotel', on a global level. The directors anticipate that this latest accolade may be productive for future trade. This is the first time in history that this global accolade has awarded to any hotel in Europe or, indeed, the entire Western Hemisphere. The directors feel that this unprecedented recognition will assist with current and future marketing.

As part of the day to day running of the hotel, the directors are always looking at the services on offer and thinking of ways that the hotel can enhance these further, to give them a competitive edge. The directors have strived to build close relationships with all of the suppliers the hotel uses, with many of these relationships going back numerous years.

Over a decade ago, the company made very significant investments in the region of £750k, into achieving full planning consents for significant extensions, to comprise of additional bedrooms, and a state-of-the-art 550+ member spa and fitness facility. The directors feel that this addition would establish even greater commercial viability for decades to come. The potential of project completion remains on hold however, pending ability to finance, and the outcome of the impact of Brexit upon discretionary spend in Scotland.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2019**

The directors are fully committed to continuing to embrace all director legal and regulatory compliance within Companies Act 2006. The directors have a focus on considering industry trends, innovation and evolution. The ongoing development is all encompassed within the overview of the interests of our company employees, relationships with suppliers, the company's impact upon local community and environment, and accelerating the existing high reputation for business conduct.

The company's principal financial instruments comprise bank balances, loans to the company, and hire purchase/finance agreements. The main purpose of these instruments is to finance company operations.

Due to the nature of the financial instruments used by the company, there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is detailed below.

In respect of bank balances, the liquidity risk is managed by maintaining such flexibility through use of overdrafts at floating rates of interest.

In respect of loans, these comprise loans from the directors and loans from financial institutions. The interest rate on the loans from financial institutions is fixed. The company manages the liquidity risk by ensuring there are sufficient funds to meet the payments.

The loans from the directors are repayable on demand. The directors are aware of the company's required finance and have determined that these will only be repaid, when finance is available. In respect of hire purchase/finance lease assets, the liquidity risk in respect of these is managed to ensure sufficient funds are available to meet repayments.

Safety and health, the environment and quality

The company operates in the hotel industry and aims to provide a first class service to the public. This includes being safety conscious, complying with health and safety regulations, and generally demanding high standards. It recognises the importance of, and has policies in place, to ensure its environmental, health and safety requirements are met at all times.

This report was approved by the board on 31 October 2019 and signed on its behalf.

Mr N N Russell
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 APRIL 2019**

The directors present their report and the financial statements for the year ended 30 April 2019.

Directors' responsibilities statement

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

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

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Results and dividends

The profit for the year, after taxation, amounted to £124,007 (2018 - loss £76,491).

There are no proposed dividends for the year ended 30 April 2019.

Directors

The directors who served during the year were:

Mr N N Russell
Mrs R S Spenke
Mrs G Russell

Disclosure of information to auditors

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

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

Post balance sheet events

There have been no significant events affecting the Company since the year end.

BALBIRNIE HOUSE HOTEL LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2019**

Auditors

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

This report was approved by the board on 31 October 2019 and signed on its behalf.

Mr N N Russell
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BALBIRNIE HOUSE HOTEL LIMITED

Opinion

We have audited the financial statements of Balbirnie House Hotel Limited (the 'Company') for the year ended 30 April 2019, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2019 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BALBIRNIE HOUSE HOTEL LIMITED (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 Auditors' 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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BALBIRNIE HOUSE HOTEL LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

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

Mark Gibson (Senior statutory auditor)
for and on behalf of

EQ Accountants LLP

Chartered Accountants

Pentland House

Saltire Centre

Glenrothes

Fife

KY6 2AH

31 October 2019

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2019**

		2019 £	2018 £
Turnover	4	3,034,096	2,800,809
Cost of sales		(719,675)	(677,190)
Gross profit		2,314,421	2,123,619
Administrative expenses		(2,107,403)	(2,128,040)
Operating profit/(loss)		207,018	(4,421)
Interest payable and expenses	8	(83,011)	(72,070)
Profit/(loss) before tax		124,007	(76,491)
Profit/(loss) for the financial year		124,007	(76,491)

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2019 (2018:£NIL).

The notes on pages 13 to 22 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2019

		2019 £	2018 £
Fixed assets			
Tangible assets	9	6,188,088	6,293,369
		<u>6,188,088</u>	<u>6,293,369</u>
Current assets			
Stocks		31,547	39,894
Debtors: amounts falling due within one year	10	182,359	150,298
Cash at bank and in hand		172,070	35,064
		<u>385,976</u>	<u>225,256</u>
Creditors: amounts falling due within one year	11	(1,291,905)	(1,233,421)
Net current liabilities		(905,929)	(1,008,165)
Total assets less current liabilities		<u>5,282,159</u>	<u>5,285,204</u>
Creditors: amounts falling due after more than one year	12	(2,440,026)	(2,567,078)
Net assets		<u><u>2,842,133</u></u>	<u><u>2,718,126</u></u>
Capital and reserves			
Called up share capital	15	54,675	54,675
Share premium account		246,350	246,350
Non-distributable reserves		4,371,079	4,502,978
Other reserves		10,329	10,329
Profit and loss account		(1,840,300)	(2,096,206)
		<u><u>2,842,133</u></u>	<u><u>2,718,126</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 31 October 2019.

Mr N N Russell
Director

The notes on pages 13 to 22 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2019**

	Called up share capital	Share premium account	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 May 2018	54,675	246,350	4,502,978	10,329	(2,096,206)	2,718,126
Profit for the year	-	-	-	-	124,007	124,007
Transfer to/from revaluation reserve	-	-	-	-	131,899	131,899
Transfer to/from profit and loss account	-	-	(131,899)	-	-	(131,899)
At 30 April 2019	54,675	246,350	4,371,079	10,329	(1,840,300)	2,842,133

The notes on pages 13 to 22 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2018**

	Called up share capital	Share premium account	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 May 2017	54,675	246,350	4,579,189	10,329	(2,095,926)	2,794,617
Loss for the year	-	-	-	-	(76,491)	(76,491)
Transfer to/from revaluation reserve	-	-	-	-	76,211	76,211
Transfer to/from profit and loss account	-	-	(76,211)	-	-	(76,211)
At 30 April 2018	54,675	246,350	4,502,978	10,329	(2,096,206)	2,718,126

The notes on pages 13 to 22 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 APRIL 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit/(loss) for the financial year	124,007	(76,491)
Adjustments for:		
Depreciation of tangible assets	205,061	201,454
Loss on disposal of tangible assets	(7,504)	1,688
Interest paid	83,010	72,067
Decrease/(increase) in stocks	8,347	(3,591)
(Increase)/decrease in debtors	(32,061)	81,624
Increase/(decrease) in creditors	135,459	(143,076)
Net cash generated from operating activities	516,319	133,675
Cash flows from investing activities		
Purchase of tangible fixed assets	(103,745)	(30,706)
Sale of tangible fixed assets	11,469	-
HP interest paid	(12,944)	(5,754)
Net cash from investing activities	(105,220)	(36,460)
Cash flows from financing activities		
Repayment of loans	(180,132)	(184,494)
Repayment of/new finance leases	60,653	(26,644)
Interest paid	(70,067)	(66,313)
Net cash used in financing activities	(189,546)	(277,451)
Net increase/(decrease) in cash and cash equivalents	221,553	(180,236)
Cash and cash equivalents at beginning of year	(49,483)	130,753
Cash and cash equivalents at the end of year	172,070	(49,483)
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	172,070	35,064
Bank overdrafts	-	(84,547)
	172,070	(49,483)

The notes on pages 13 to 22 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2019**

1. General information

Balbirnie House Hotel Limited is a limited liability company incorporated in Scotland, registration number SC114360. The registered office address is Balbirnie House, Balbirnie Park, Markinch, Glenrothes, Fife, KY7 6NE.

The principal activity of the company during the year was the operation of a country house hotel.

The financial statements are presented in sterling which is the functional currency of the company and rounded to the nearest £.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2019**

2. Accounting policies (continued)

2.3 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.4 Finance costs

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

2.5 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

2.6 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.7 Taxation

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

2.8 Tangible fixed assets

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2019**

2. Accounting policies (continued)

2.8 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

Freehold property	-
	2% straight line
Plant and machinery	-
	20% straight line
Motor vehicles	-
	20% straight line
Fixtures and fittings	-
	10% straight line
Spa development	-
	fully amortised in 2011

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.9 Revaluation of tangible fixed assets

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

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

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

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.11 Debtors

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2019**

2. Accounting policies (continued)

2.12 Cash and cash equivalents

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

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.13 Creditors

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

2.14 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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

The most significant estimation within the company's financial statements relates to depreciation. The directors review depreciation rates on a regular basis to ensure that the policy rate remains appropriate.

The directors also require to exercise judgement in assessing recoverability of trade debtors and make appropriate provision where their credit control procedures indicate that trade debtor balances may not be fully recoverable.

4. Turnover

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

	2019	<i>2018</i>
	£	<i>£</i>
UK Sales	3,034,096	<i>2,800,809</i>
	<u>3,034,096</u>	<u><i>2,800,809</i></u>

5. Auditors' remuneration

	2019	<i>2018</i>
	£	<i>£</i>
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>9,660</u>	<u><i>9,200</i></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2019**

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2019	2018
	£	£
Wages and salaries	1,146,804	1,196,649
Social security costs	71,380	73,317
Cost of defined contribution scheme	13,566	8,467
	<u>1,231,750</u>	<u>1,278,433</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019	2018
	No.	No.
Kitchen staff	20	23
Reception and front of house staff	44	52
Management and admin staff	9	10
Housekeeping and maintenance	8	9
	<u>81</u>	<u>94</u>

7. Directors' remuneration

	2019	2018
	£	£
Directors' emoluments	123,547	117,937
Company contributions to defined contribution pension schemes	2,208	989
	<u>125,755</u>	<u>118,926</u>

During the year retirement benefits were accruing to no directors (2018 - NIL) in respect of defined contribution pension schemes.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2019**

8. Interest payable and similar expenses

	2019 £	2018 £
Bank interest payable	63,628	59,244
Other loan interest payable	6,439	7,072
Finance leases and hire purchase contracts	12,944	5,754
	<u>83,011</u>	<u>72,070</u>

9. Tangible fixed assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Spa develop- ment £
Cost or valuation					
At 1 May 2018	7,196,445	766,404	64,488	2,185,089	776,647
Additions	-	-	-	103,745	-
Disposals	-	-	(28,830)	-	-
At 30 April 2019	<u>7,196,445</u>	<u>766,404</u>	<u>35,658</u>	<u>2,288,834</u>	<u>776,647</u>
Depreciation					
At 1 May 2018	1,229,662	766,276	42,669	1,880,450	776,647
Charge for the year	143,929	128	9,943	51,061	-
Disposals	-	-	(24,865)	-	-
At 30 April 2019	<u>1,373,591</u>	<u>766,404</u>	<u>27,747</u>	<u>1,931,511</u>	<u>776,647</u>
Net book value					
At 30 April 2019	<u>5,822,854</u>	<u>-</u>	<u>7,911</u>	<u>357,323</u>	<u>-</u>
At 30 April 2018	<u>5,966,783</u>	<u>128</u>	<u>21,819</u>	<u>304,639</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2019

9. Tangible fixed assets (continued)

	Total £
Cost or valuation	
At 1 May 2018	10,989,073
Additions	103,745
Disposals	(28,830)
	<hr/>
At 30 April 2019	11,063,988
	<hr/>
Depreciation	
At 1 May 2018	4,695,704
Charge for the year	205,061
Disposals	(24,865)
	<hr/>
At 30 April 2019	4,875,900
	<hr/>
Net book value	
At 30 April 2019	<u>6,188,088</u>
At 30 April 2018	<u>6,293,369</u>

Freehold land and buildings, comprising the hotel property, fixtures, fittings, plant and equipment were revalued during the year to 30 April 2016 at £6,400,000.

In the event that the freehold land and buildings was sold at its revalued amount a tax charge of approximately £314,267 would arise. This has not been provided for in the accounts as a deferred tax asset of £410,157 exists and has not been provided.

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2019 £	2018 £
Motor vehicles	7,912	21,700
Furniture, fittings and equipment	95,162	-
	<hr/>	<hr/>
	<u>103,074</u>	<u>21,700</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2019**

10. Debtors

	2019 £	2018 £
Trade debtors	22,584	21,992
Other debtors	2,354	1,651
Prepayments and accrued income	157,421	126,655
	<u>182,359</u>	<u>150,298</u>

11. Creditors: Amounts falling due within one year

	2019 £	2018 £
Bank overdrafts	-	84,547
Bank loans	180,000	183,500
Trade creditors	275,491	264,549
Other taxation and social security	147,200	66,259
Obligations under finance lease and hire purchase contracts	40,113	29,041
Other creditors	123,647	142,200
Accruals and deferred income	525,454	463,325
	<u>1,291,905</u>	<u>1,233,421</u>

Secured loans

Bank loans of £180,000 (2018 - £183,500) and overdraft of £nil (2018 - £84,547) are secured by way of a standard security over the property of the company and a bond and floating charge.

Hire purchase liabilities of £40,113 (2018 - £29,041) are secured by the relevant assets.

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

	2019 £	2018 £
Bank loans	2,344,496	2,521,128
Net obligations under finance leases and hire purchase contracts	95,530	45,950
	<u>2,440,026</u>	<u>2,567,078</u>

Secured loans

Bank loans of £2,344,496 (2018 - £2,521,128) are secured by way of a standard security over the property of the company and a bond and floating charge.

Hire purchase liabilities of £95,530 (2018 - £45,950) are secured by the relevant assets.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2019**

13. Loans

Analysis of the maturity of loans is given below:

	2019 £	<i>2018 £</i>
Amounts falling due within one year		
Bank loans	180,000	<i>183,500</i>
	180,000	<i>183,500</i>
Amounts falling due 1-2 years		
Bank loans	180,000	<i>183,500</i>
	180,000	<i>183,500</i>
Amounts falling due 2-5 years		
Bank loans	540,000	<i>550,500</i>
	540,000	<i>550,500</i>
Amounts falling due after more than 5 years		
Bank loans	1,624,496	<i>1,787,128</i>
	1,624,496	<i>1,787,128</i>
	2,524,496	<i>2,704,628</i>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2019**

14. Financial instruments

	2019 £	2018 £
Financial assets		
Financial assets measured at fair value through profit or loss	172,070	35,064
Financial assets that are debt instruments measured at amortised cost	50,820	23,643
	<u>222,890</u>	<u>58,707</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(2,976,643)</u>	<u>(3,559,614)</u>

Financial assets measured at fair value through profit or loss comprise of cash at bank and in hand.

Financial assets that are debt instruments measured at amortised cost comprise of trade debtors, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise of trade creditors, accruals, other creditors and bank loans.

15. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
54,675 Ordinary shares of £1.00 each	<u>54,675</u>	<u>54,675</u>

16. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £8,467 (2018 - £8,467). Contributions totalling £nil (2018 - £nil) were payable to the fund at the balance sheet date.

17. Commitments under operating leases

At 30 April 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	13,570	19,803
Later than 1 year and not later than 5 years	14,597	45,270
	<u>28,167</u>	<u>65,073</u>

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