

**COMPANY REGISTRATION NUMBER: SC118669**

**THE BONHAM HOTEL EDINBURGH LIMITED**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2018**



# **THE BONHAM HOTEL EDINBURGH LIMITED**

## **FINANCIAL STATEMENTS**

**Year ended 31 December 2018**

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# **THE BONHAM HOTEL EDINBURGH LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **The board of directors**

Mr R H Driehaus (Appointed 28 March 2018)  
Mr F Garcia  
Ms M M Mellin (Appointed 10 April 2018)  
Ms P Hunt McMenamin (Resigned 16 February 2018)

### **Registered office**

35 Drumsheugh Gardens  
Edinburgh  
EH3 7RN

### **Auditor**

Kilsby & Williams LLP  
Chartered Accountants & statutory auditor  
Cedar House  
Hazell Drive  
Newport  
NP10 8FY

# **THE BONHAM HOTEL EDINBURGH LIMITED**

## **STRATEGIC REPORT**

### **Year ended 31 December 2018**

The principal activity of the company is the operation of the Bonham hotel in Edinburgh.

#### **Company Business Review**

During the year ended the 31 December 2018, the Company's revenue decreased due to the extensive renovation project to the hotel during the year. The directors anticipate that in 2019 trading conditions will improve and remain optimistic regarding the long term prospects of the company.

The Company's key measurement of effectiveness of its operations is operating profit before depreciation and amortisation and exceptional or non-recurring items ("EBITDA"). The Company achieved an EBITDA of £225,686 (2017: £613,302).

The Company's cash balances have increased from £777,012 to £893,705 due to the continuing support of its ultimate parent company.

#### **Financial risk management objectives and policies**

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk, liquidity risk and price risk.

##### ***Cash flow risk***

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. These risks are small in context of the Company's operations and therefore it does not use financial instruments to manage its exposure to them due to cost benefit considerations.

##### ***Credit risk***

The Company's principal financial assets are bank balances and cash, and trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

The credit risk on liquid funds is limited because the counterparty is Barclays Bank P.L.C., a bank with a good credit rating.

The Company had no significant concentration of credit risk as receivable balances are spread over a large number of counterparties and customers.

##### ***Liquidity risk***

The Company uses a mix of long term shareholder debt and Group debt in order to maintain liquidity and to ensure that sufficient funds are available for ongoing operations and future development. The Group debt is not subject to any covenants.

##### ***Price risk***

The Company is exposed to commodity price risk, particularly in relation to energy costs. The company manages its exposure to energy costs price risks by using fixed rate contracts, where appropriate, to ensure certainty of costs.

# THE BONHAM HOTEL EDINBURGH LIMITED

## STRATEGIC REPORT *(continued)*

**Year ended 31 December 2018**

This report was approved by the board of directors on 26 September 2019 and signed on behalf of the board by:



**Mr F Garcia**  
**Director**



**Ms M M Mellin**  
**Director**

# **THE BONHAM HOTEL EDINBURGH LIMITED**

## **DIRECTORS' REPORT**

### **Year ended 31 December 2018**

The directors present their report and the financial statements of the company for the year ended 31 December 2018.

#### **Directors**

The directors who served the company during the year were as follows:

Mr F Garcia	
Mr R H Driehaus	(Appointed 28 March 2018)
Ms M M Mellin	(Appointed 10 April 2018)
Ms P Hunt McMenamin	(Resigned 16 February 2018)

#### **Dividends**

Particulars of recommended dividends are detailed in note 12 to the financial statements.

#### **Financial instruments**

The company's principal financial instruments comprise bank balances, trade creditors, trade debtors. The main purpose of these instruments is to raise funds for the company's operations and to finance the company's operations.

In respect of bank balances the liquidity risk is managed by actively monitoring the cash flow position to ensure the company has sufficient cash in order to fund its activities.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

#### **Directors' responsibilities statement**

The directors are responsible for preparing the strategic report, 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 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 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 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 BONHAM HOTEL EDINBURGH LIMITED**

## **DIRECTORS' REPORT** *(continued)*

**Year ended 31 December 2018**

### **Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all 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.

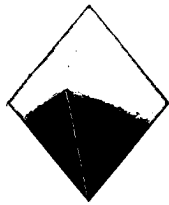
This report was approved by the board of directors on ~~28 September 2019~~ and signed on behalf of the board by:



**Mr F Garcia**  
**Director**



**Ms M M Mellin**  
**Director**



**KILSBY  
WILLIAMS**  
Chartered Accountants

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BONHAM HOTEL EDINBURGH LIMITED**

**Year ended 31 December 2018**

### **Opinion**

We have audited the financial statements of The Bonham Hotel Edinburgh Limited (the 'company') for the year ended 31 December 2018 which comprise the profit and loss account, balance sheet, statement of changes in equity, statement of cash flows 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

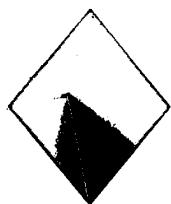
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of 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.

### **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.





**KILSBY  
WILLIAMS**  
Chartered Accountants

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BONHAM HOTEL EDINBURGH LIMITED *(continued)***

**Year ended 31 December 2018**

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

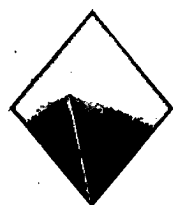
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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.



**KILSBY  
WILLIAMS**  
Chartered Accountants

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BONHAM HOTEL EDINBURGH LIMITED *(continued)***

### **Year ended 31 December 2018**

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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



**KILSBY  
WILLIAMS**  
Chartered Accountants

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BONHAM  
HOTEL EDINBURGH LIMITED *(continued)***

**Year ended 31 December 2018**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**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.

**Simon Tee (Senior Statutory Auditor)**

**For and on behalf of  
Kilsby & Williams LLP  
Chartered Accountants & statutory auditor  
Cedar House  
Hazell Drive  
Newport  
NP10 8FY**

27 September 2019

# THE BONHAM HOTEL EDINBURGH LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 December 2018

	Note	2018 £	2017 £
<b>TURNOVER</b>	<b>5</b>	2,435,815	2,770,068
Cost of sales		(1,309,448)	(1,331,397)
<b>GROSS PROFIT</b>		1,126,367	1,438,671
Administrative expenses		(1,238,223)	(976,645)
<b>OPERATING (LOSS)/PROFIT</b>	<b>6</b>	(111,856)	462,026
Other interest receivable and similar income	<b>9</b>	55	60
Interest payable and similar expenses	<b>10</b>	(351,767)	(132,877)
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		(463,568)	329,209
Tax on (loss)/profit	<b>11</b>	64,091	(66,373)
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		<u>(399,477)</u>	<u>262,836</u>
Tax relating to components of other comprehensive income		–	73,393
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>(399,477)</u>	<u>336,229</u>

All the activities of the company are from continuing operations.

The notes on pages 14 to 23 form part of these financial statements.

# THE BONHAM HOTEL EDINBURGH LIMITED

## BALANCE SHEET


31 December 2018

	Note	2018 £	2017 £
<b>FIXED ASSETS</b>			
Tangible assets	13	9,655,082	7,272,534
<b>CURRENT ASSETS</b>			
Stocks	14	11,665	13,163
Debtors	15	197,158	85,138
Cash at bank and in hand		893,705	780,109
		<u>1,102,528</u>	<u>878,410</u>
<b>CREDITORS: amounts falling due within one year</b>	17	(8,937,746)	(5,947,435)
<b>NET CURRENT LIABILITIES</b>		<u>(7,835,218)</u>	<u>(5,069,025)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,819,864	2,203,509
<b>PROVISIONS</b>	18	(417,259)	(401,426)
<b>NET ASSETS</b>		<u>1,402,605</u>	<u>1,802,083</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	22	100,000	100,000
Fair value reserve	23	–	3,437,287
Profit and loss account	23	1,302,605	(1,735,204)
<b>SHAREHOLDERS FUNDS</b>		<u>1,402,605</u>	<u>1,802,083</u>

These financial statements were approved by the board of directors and authorised for issue on 26 September 2019 and are signed on behalf of the board by:



Mr F Garcia  
Director



Ms M M Mellin  
Director

Company registration number: SC118669

The notes on pages 14 to 23 form part of these financial statements.

# THE BONHAM HOTEL EDINBURGH LIMITED

## STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Called up share capital £	Share premium account £	Fair value reserve £	Profit and loss account £	Total £
<b>AT 1 JANUARY 2017</b>	100,000	–	3,373,334	6,638,831	10,112,165
Profit for the year				262,836	262,836
Other comprehensive income for the year:					
Reclassification from revaluation reserve to profit and loss account	–	–	(9,440)	9,440	–
Tax relating to components of other comprehensive income <b>11</b>	–	–	73,393	–	73,393
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	–	–	63,953	272,276	336,229
Dividends paid and payable <b>12</b>	–	–	–	(8,646,311)	(8,646,311)
<b>TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS</b>	–	–	–	(8,646,311)	(8,646,311)
<b>AT 31 DECEMBER 2017</b>	100,000	–	3,437,287	(1,735,204)	1,802,083
Loss for the year				(399,477)	(399,477)
Other comprehensive income for the year:					
Reclassification from revaluation reserve to profit and loss account	–	–	324,231	(324,231)	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	–	–	324,231	(723,708)	(399,477)
Issue of bonus shares	–	3,761,518	(3,761,518)	–	–
Cancellation of subscribed capital	–	(3,761,518)	–	3,761,517	(1)
<b>TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS</b>	–	–	(3,761,518)	3,761,517	(1)
<b>AT 31 DECEMBER 2018</b>	100,000	–	–	1,302,605	1,402,605

The notes on pages 14 to 23 form part of these financial statements.

# THE BONHAM HOTEL EDINBURGH LIMITED

## STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	2018 £	2017 £
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/profit for the financial year		(399,477)	262,836
<i>Adjustments for:</i>			
Depreciation of tangible assets		337,542	151,276
Other interest receivable and similar income		(55)	(60)
Interest payable and similar expenses		351,767	132,877
Loss on disposal of tangible assets		1,131	-
Tax on (loss)/profit		(64,091)	66,373
Accrued income		(54,255)	(14,039)
<i>Changes in:</i>			
Stocks		1,498	1,801
Trade and other debtors		(27,459)	28,709
Trade and other creditors		(174,181)	152,778
Cash generated from operations		(27,580)	782,551
Interest received		55	60
Tax paid		(84,561)	-
Net cash (used in)/from operating activities		<u>(112,086)</u>	<u>782,611</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of tangible assets		(2,721,221)	(128,752)
Proceeds from sale of tangible assets		-	23,876
Net cash used in investing activities		<u>(2,721,221)</u>	<u>(104,876)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from loans from group undertakings		2,950,000	25,161,513
Repayments of loans from group undertakings		-	(17,723,596)
Dividends paid		-	(8,646,311)
Net cash from/(used in) financing activities		<u>2,950,000</u>	<u>(1,208,394)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		116,693	(530,659)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<u>777,012</u>	<u>1,307,671</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>16</b>	<u>893,705</u>	<u>777,012</u>

The notes on pages 14 to 23 form part of these financial statements.

# **THE BONHAM HOTEL EDINBURGH LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2018**

### **1. GENERAL INFORMATION**

The company is a private company limited by shares, registered in Scotland. The address of the registered office is 35 Drumsheugh Gardens, Edinburgh, EH3 7RN.

### **2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

### **3. ACCOUNTING POLICIES**

#### **Basis of preparation**

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

#### **Turnover**

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

#### **Taxation**

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.



# THE BONHAM HOTEL EDINBURGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

**Year ended 31 December 2018**

### **3. ACCOUNTING POLICIES *(continued)***

#### **Operating leases**

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

#### **Tangible assets**

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

#### **Depreciation**

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	-	Land - Not depreciated. Buildings - 1% straight line
Plant and machinery, fixtures and fittings and freehold improvements	-	10% - 100% straight line

#### **Impairment of fixed assets**

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

#### **Stocks**

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

# THE BONHAM HOTEL EDINBURGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

**Year ended 31 December 2018**

### **3. ACCOUNTING POLICIES *(continued)***

#### **Provisions**

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the balance sheet and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

#### **Financial instruments**

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

#### **Defined contribution plans**

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

# THE BONHAM HOTEL EDINBURGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 December 2018

### 4. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Significant judgements*

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

#### Impairment of non-financial assets

Where there are indicators of impairment the directors are, from time to time, required to consider whether any of the Company's assets are impaired. When conducting an impairment review, the directors use a discounted cash flow model which requires the directors to estimate future cash inflows of the Company as well as suitable discount rates.

#### Corporation tax and deferred tax

The calculation of the Company's tax charge necessarily involves a degree of estimation and judgement in respect of certain items. In calculating the Company's tax charge, there are inherent assumptions made around assets which qualify for capital allowances as well as the level of expenses which are disallowable for corporation tax purposes.

Further judgement is required in relation to any deferred tax assets which may arise as the recoverability of these assets is reliant on future taxable profits. Deferred tax liabilities are calculated based on the Company's expectation regarding the manner and timing of the recovery of the related assets.

#### *Key sources of estimation uncertainty*

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

#### Useful economic life of tangible fixed assets

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

### 5. TURNOVER

Turnover arises from:

	2018	2017
	£	£
Sale of goods	789,992	821,465
Rendering of services	1,645,823	1,948,603
	<u>2,435,815</u>	<u>2,770,068</u>

# THE BONHAM HOTEL EDINBURGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### Year ended 31 December 2018

#### 5. TURNOVER *(continued)*

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

#### 6. OPERATING PROFIT

Operating profit or loss is stated after charging:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Depreciation of tangible assets	337,542	151,276
Loss on disposal of tangible assets	1,131	–
Impairment of trade debtors	–	1,650
	<u>          </u>	<u>          </u>

#### 7. AUDITOR'S REMUNERATION

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Fees payable for the audit of the financial statements	6,000	5,916
	<u>          </u>	<u>          </u>

#### 8. STAFF COSTS

The average number of persons employed by the company during the year, including the directors, amounted to:

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Operational	59	53
	<u>          </u>	<u>          </u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Wages and salaries	942,135	939,678
Social security costs	65,611	70,718
Other pension costs	16,139	10,612
	<u>1,023,885</u>	<u>1,021,008</u>

#### 9. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Interest on cash and cash equivalents	55	60
	<u>          </u>	<u>          </u>

#### 10. INTEREST PAYABLE AND SIMILAR EXPENSES

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Interest due to group undertakings	351,767	132,877
	<u>          </u>	<u>          </u>

# THE BONHAM HOTEL EDINBURGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 December 2018

### 11. TAX ON (LOSS)/PROFIT

#### Major components of tax (income)/expense

	2018 £	2017 £
<b>Current tax:</b>		
UK current tax expense	–	79,924
Adjustments in respect of prior periods	(79,924)	(655)
Total current tax	<u>(79,924)</u>	<u>79,269</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	15,833	(12,896)
<b>Tax on (loss)/profit</b>	<u>(64,091)</u>	<u>66,373</u>

#### Tax recognised as other comprehensive income or equity

The aggregate current and deferred tax relating to items recognised as other comprehensive income or equity for the year was £Nil (2017: £(73,393)).

#### Reconciliation of tax (income)/expense

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

	2018 £	2017 £
(Loss)/profit on ordinary activities before taxation	(463,568)	329,209
(Loss)/profit on ordinary activities by rate of tax	(88,078)	63,361
Adjustment to tax charge in respect of prior periods	3,857	1,522
Effect of expenses not deductible for tax purposes	12,240	1,103
Utilisation of tax losses	(1,024)	–
Unused tax losses	10,323	–
Transfer pricing adjustments	–	9,391
Tax rates changes	(1,409)	(9,004)
Tax on (loss)/profit	<u>(64,091)</u>	<u>66,373</u>

### 12. DIVIDENDS

#### Dividends on shares classed as debt

	2018 £	2017 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year )	<u>–</u>	<u>8,646,311</u>

# THE BONHAM HOTEL EDINBURGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 December 2018

### 13. TANGIBLE ASSETS

	Freehold property £	Plant and machinery, fixtures and fittings and freehold improvements £	Total £
<b>Cost</b>			
At 1 January 2018	6,870,385	787,186	7,657,571
Additions	–	2,721,221	2,721,221
Disposals	–	(127,746)	(127,746)
<b>At 31 December 2018</b>	<b>6,870,385</b>	<b>3,380,661</b>	<b>10,251,046</b>
<b>Depreciation</b>			
At 1 January 2018	17,198	367,839	385,037
Charge for the year	6,871	330,671	337,542
Disposals	–	(126,615)	(126,615)
<b>At 31 December 2018</b>	<b>24,069</b>	<b>571,895</b>	<b>595,964</b>
<b>Carrying amount</b>			
<b>At 31 December 2018</b>	<b>6,846,316</b>	<b>2,808,766</b>	<b>9,655,082</b>
At 31 December 2017	6,853,187	419,347	7,272,534

#### Tangible assets held at valuation

Historically the property has not been depreciated. It is not possible to quantify the depreciation that would have otherwise been charged under the historical cost convention.

In respect of tangible assets held at valuation, the aggregate cost, depreciation and comparable carrying amount that would have been recognised if the assets had been carried under the historical cost model are as follows:

	Freehold property £
<b>At 31 December 2018</b>	
Aggregate cost	3,099,427
Aggregate depreciation	–
<b>Carrying value</b>	<b>3,099,427</b>
<b>At 31 December 2017</b>	
Aggregate cost	3,099,427
Aggregate depreciation	–
<b>Carrying value</b>	<b>3,099,427</b>

# THE BONHAM HOTEL EDINBURGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 December 2018

### 14. STOCKS

	2018 £	2017 £
Stock	<u>11,665</u>	<u>13,163</u>

### 15. DEBTORS

	2018 £	2017 £
Trade debtors	36,535	12,119
Prepayments and accrued income	76,062	61,500
Corporation tax repayable	84,561	–
Other debtors	–	11,519
	<u>197,158</u>	<u>85,138</u>

### 16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2018 £	2017 £
Cash at bank and in hand	893,705	780,109
Bank overdrafts	–	(3,097)
	<u>893,705</u>	<u>777,012</u>

### 17. CREDITORS: amounts falling due within one year

	2018 £	2017 £
Bank loans and overdrafts	–	3,097
Trade creditors	168,357	78,624
Amounts owed to group undertakings	8,069,006	5,119,006
Accruals and deferred income	549,380	251,867
Corporation tax	–	79,924
Social security and other taxes	98,271	124,006
Other creditors	52,732	290,911
	<u>8,937,746</u>	<u>5,947,435</u>

Included in amounts owed to group undertakings is an amount of £7,950,000 (2017: £5,000,000) which has been secured on the company's freehold property.

### 18. PROVISIONS

	Deferred tax (note 19) £
At 1 January 2018	401,426
Additions	15,833
<b>At 31 December 2018</b>	<u>417,259</u>

# THE BONHAM HOTEL EDINBURGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

**Year ended 31 December 2018**

### 19. DEFERRED TAX

The deferred tax included in the balance sheet is as follows:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Included in provisions (note 18)	<u>417,259</u>	<u>401,426</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	93,433	77,381
Revaluation of tangible assets	324,231	324,231
Deferred tax - other timing differences	<u>(405)</u>	<u>(186)</u>
	<u>417,259</u>	<u>401,426</u>

### 20. EMPLOYEE BENEFITS

#### Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £16,139 (2017: £10,612).

### 21. FINANCIAL INSTRUMENTS

The carrying amount for each category of financial instrument is as follows:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Financial assets that are debt instruments measured at amortised cost</b>		
Financial assets that are debt instruments measured at amortised cost	<u>36,535</u>	<u>20,338</u>
<b>Financial liabilities measured at amortised cost</b>		
Financial liabilities measured at amortised cost	<u>8,786,743</u>	<u>5,740,408</u>

### 22. CALLED UP SHARE CAPITAL

#### Issued, called up and fully paid

	<b>2018</b>		<b>2017</b>	
	<b>No.</b>	<b>£</b>	<b>No.</b>	<b>£</b>
Ordinary shares of £0.10 each	<u>1,000,000</u>	<u>100,000.00</u>	<u>1,000,000</u>	<u>100,000.00</u>

### 23. RESERVES

Fair value reserve - This reserve records the value of asset revaluations and fair value movements on assets recognised in other comprehensive income.

Profit and loss account - This reserve records retained earnings and accumulated losses.



## 24. OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2018	2017
	£	£
Not later than 1 year	2,537	2,537
Later than 1 year and not later than 5 years	2,537	5,074
	<u>5,074</u>	<u>7,611</u>

## 25. RELATED PARTY TRANSACTIONS

Included within other creditors due within one year are the following amounts due to related parties:

	2018	2017
	£	£
Bonham Edinburgh Investments LLC	119,006	119,006
Driehaus Real Estate Investments LLC	7,950,000	5,000,000

During the year interest has been accrued on the amounts due from Driehaus Real Estate Investments LLC amounting to £351,767 (2017: £132,877).

Key management personnel include all persons that have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company was £54,000 (2017: £111,100).

## 26. CONTROLLING PARTY

In the opinion of the directors, the Company's ultimate parent company and ultimate controlling party is Driehaus Real Estate Investments LLC, a company incorporated in the USA. The parent undertaking of the largest group which includes the Company and for which group accounts are prepared is Driehaus Real Estate Investments LLC, a company incorporated in the USA. The parent undertaking of the smallest such group is Bonham Edinburgh Investments LLC, a company incorporated in the USA. The company's immediate controlling party is Bonham Edinburgh Investments LLC.