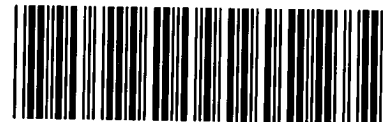


COMPANY REGISTRATION NUMBER: SC118669

THE BONHAM HOTEL EDINBURGH LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2017

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THE BONHAM HOTEL EDINBURGH LIMITED

FINANCIAL STATEMENTS

Year ended 31 December 2017

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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 (Appointed 21 June 2017)
Ms M M Mellin (Appointed 10 April 2018)
Mr J C Bradshaw (Resigned 21 June 2017)
Ms S Broughton (Resigned 21 June 2017)
Mr J A Burrell (Resigned 21 June 2017)
Ms P Hunt McMenamin (Served from 21 June 2017 to 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 2017

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 2017, the Company's revenue increased on a like for like basis as a result of the improved trading conditions. The directors anticipate that in 2018 trading conditions will continue to 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 £613,302 (2016: £623,685).

The Company's cash balances have reduced from £1,307,671 to £777,012 due to the large dividend paid in the year.

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 2017

This report was approved by the board of directors on 21 December 2018 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 2017

The directors present their report and the financial statements of the company for the year ended 31 December 2017.

Directors

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

Mr F Garcia	(Appointed 21 June 2017)
Ms P Hunt McMenamin	(Appointed 21 June 2017)
Mr J C Bradshaw	(Resigned 21 June 2017)
Ms S Broughton	(Resigned 21 June 2017)
Mr J A Burrell	(Resigned 21 June 2017)

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 2017

Auditor

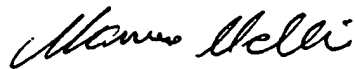
Each of the persons who is a director at the date of approval of this report confirms that:

- 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 21 December 2018 and signed on behalf of the board by:



Mr F Garcia
Director



Ms M M Mellin
Director



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

Year ended 31 December 2017

Opinion

We have audited the financial statements of The Bonham Hotel Edinburgh Limited (the 'company') for the year ended 31 December 2017 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 2017 and of its profit 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 2017

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

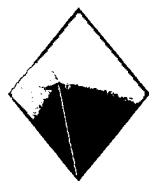
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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 2017

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 2017

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**

21 December 2018

THE BONHAM HOTEL EDINBURGH LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2017

	Note	2017 £	2016 £
TURNOVER	5	2,770,068	2,661,672
Cost of sales		(1,331,397)	(1,286,683)
GROSS PROFIT		1,438,671	1,374,989
Administrative expenses		(976,645)	(876,697)
OPERATING PROFIT	6	462,026	498,292
Other interest receivable and similar income	9	60	2,526
Interest payable and similar expenses	10	(132,877)	–
PROFIT BEFORE TAXATION		329,209	500,818
Tax on profit	11	(66,373)	(1,996)
PROFIT FOR THE FINANCIAL YEAR		262,836	498,822
Tax relating to components of other comprehensive income		73,393	86,443
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		336,229	585,265

All the activities of the company are from continuing operations.

The notes on pages 14 to 24 form part of these financial statements.

THE BONHAM HOTEL EDINBURGH LIMITED

BALANCE SHEET

31 December 2017

	Note	2017 £	2016 £
FIXED ASSETS			
Tangible assets	13	7,272,534	7,318,934
CURRENT ASSETS			
Stocks	14	13,163	14,964
Debtors	15	85,138	20,275,360
Cash at bank and in hand		780,109	1,307,671
		<u>878,410</u>	<u>21,597,995</u>
CREDITORS: amounts falling due within one year	17	(5,947,435)	(18,317,049)
NET CURRENT (LIABILITIES)/ASSETS		<u>(5,069,025)</u>	<u>3,280,946</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,203,509</u>	<u>10,599,880</u>
PROVISIONS	18	(401,426)	(487,715)
NET ASSETS		<u>1,802,083</u>	<u>10,112,165</u>
CAPITAL AND RESERVES			
Called up share capital	22	100,000	100,000
Fair value reserve	23	3,437,287	3,373,334
Profit and loss account	23	(1,735,204)	6,638,831
SHAREHOLDERS FUNDS		<u>1,802,083</u>	<u>10,112,165</u>

These financial statements were approved by the board of directors and authorised for issue on 21 December 2018, and are signed on behalf of the board by:

Frank Garcia

Mr F Garcia
Director

Monica Mellin

Ms M M Mellin
Director

Company registration number: SC118669

The notes on pages 14 to 24 form part of these financial statements.

THE BONHAM HOTEL EDINBURGH LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

		Called up share capital £	Fair value reserve £	Profit and loss account £	Total £
AT 1 JANUARY 2016		100,000	3,286,891	6,140,009	9,526,900
Profit for the year				498,822	498,822
Other comprehensive income for the year:					
Tax relating to components of other comprehensive income	11	—	86,443	—	86,443
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		—	86,443	498,822	585,265
AT 31 DECEMBER 2016		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	11	—	73,393	—	73,393
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		—	63,953	272,276	336,229
Dividends paid and payable	12	—	—	(8,646,311)	(8,646,311)
TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS		—	—	(8,646,311)	(8,646,311)
AT 31 DECEMBER 2017		<u>100,000</u>	<u>3,437,287</u>	<u>(1,735,204)</u>	<u>1,802,083</u>

The notes on pages 14 to 24 form part of these financial statements.

THE BONHAM HOTEL EDINBURGH LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Note	2017 £	2016 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the financial year		262,836	498,822
<i>Adjustments for:</i>			
Depreciation of tangible assets		151,276	125,393
Other interest receivable and similar income		(60)	(2,526)
Interest payable and similar expenses		132,877	–
Tax on profit		66,373	1,996
Accrued income		(14,039)	(89,131)
<i>Changes in:</i>			
Stocks		1,801	2,869
Trade and other debtors		28,709	(686)
Trade and other creditors		152,778	(55,185)
Cash generated from operations		782,551	481,552
Interest received		60	2,526
Net cash from operating activities		<u>782,611</u>	<u>484,078</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible assets		(128,752)	(224,955)
Proceeds from sale of tangible assets		23,876	–
Net cash used in investing activities		<u>(104,876)</u>	<u>(224,955)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans from group undertakings		25,161,513	51,333
Repayments of loans from group undertakings		(17,723,596)	(1,000,000)
Dividends paid		(8,646,311)	–
Net cash used in financing activities		<u>(1,208,394)</u>	<u>(948,667)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(530,659)	(689,544)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,307,671	1,997,215
CASH AND CASH EQUIVALENTS AT END OF YEAR	16	<u>777,012</u>	<u>1,307,671</u>

The notes on pages 14 to 24 form part of these financial statements.

THE BONHAM HOTEL EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

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 2017

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	-	10% - 33.33% 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 2017

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 2017

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:

	2017	2016
	£	£
Sale of goods	821,465	841,401
Rendering of services	1,948,603	1,820,271
	<u>2,770,068</u>	<u>2,661,672</u>

THE BONHAM HOTEL EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 December 2017

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:

	2017	2016
	£	£
Depreciation of tangible assets	151,276	125,393
Impairment of trade debtors	1,650	—
	<u>152,926</u>	<u>125,393</u>

7. AUDITOR'S REMUNERATION

	2017	2016
	£	£
Fees payable for the audit of the financial statements	<u>5,916</u>	<u>6,044</u>

8. STAFF COSTS

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

	2017	2016
	No.	No.
Operational	<u>53</u>	<u>50</u>

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

	2017	2016
	£	£
Wages and salaries	939,678	844,150
Social security costs	70,718	59,527
Other pension costs	10,612	10,045
	<u>1,021,008</u>	<u>913,722</u>

9. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2017	2016
	£	£
Interest on cash and cash equivalents	<u>60</u>	<u>2,526</u>

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017	2016
	£	£
Interest due to group undertakings	<u>132,877</u>	<u>—</u>

THE BONHAM HOTEL EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 December 2017

11. TAX ON PROFIT

Major components of tax expense

	2017 £	2016 £
Current tax:		
UK current tax expense	79,924	–
Adjustments in respect of prior periods	(655)	–
Total current tax	<u>79,269</u>	<u>–</u>
Deferred tax:		
Origination and reversal of timing differences	(12,896)	1,996
Tax on profit	<u>66,373</u>	<u>1,996</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 £(73,393) (2016: £(86,443)).

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2016: lower than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%).

	2017 £	2016 £
Profit on ordinary activities before taxation	329,209	500,818
Profit on ordinary activities by rate of tax	63,361	100,164
Adjustment to tax charge in respect of prior periods	1,522	2,279
Effect of expenses not deductible for tax purposes	1,103	3,577
Transfer pricing adjustments	9,391	15,548
Tax rates changes	(9,004)	(4,087)
Effect of group relief	–	(132,472)
Effect of non-qualifying additions	–	16,987
Tax on profit	<u>66,373</u>	<u>1,996</u>

12. DIVIDENDS

Dividends on shares classed as debt

	2017 £	2016 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	<u>8,646,311</u>	<u>–</u>

THE BONHAM HOTEL EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 December 2017

12. DIVIDENDS *(continued)*

The Company was acquired by Bonham Edinburgh Investments LLC on 21 June 2017. Immediately prior to this the directors of the Company in place at that time (the "former directors") declared and paid a dividend of £8.6 million to the previous shareholders. At the time the dividend was paid the former directors were not aware that there were insufficient profits available to fully cover the distribution. The current directors acknowledge that no further distributions can be made until there are sufficient profits available for that purpose. The current directors are seeking to convert the fair value reserve (see Note 23) to a distributable reserve, which will be sufficient to revert the Company back to a positive distributable profits position. This is expected to be completed in early 2019.

13. TANGIBLE ASSETS

	Freehold property £	Plant and machinery £	Total £
Cost			
At 1 January 2017	6,870,385	682,310	7,552,695
Additions	–	128,752	128,752
Disposals	–	(23,876)	(23,876)
At 31 December 2017	<u>6,870,385</u>	<u>787,186</u>	<u>7,657,571</u>
Depreciation			
At 1 January 2017	10,328	223,433	233,761
Charge for the year	6,870	144,406	151,276
At 31 December 2017	<u>17,198</u>	<u>367,839</u>	<u>385,037</u>
Carrying amount			
At 31 December 2017	<u>6,853,187</u>	<u>419,347</u>	<u>7,272,534</u>
At 31 December 2016	<u>6,860,057</u>	<u>458,877</u>	<u>7,318,934</u>

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.

THE BONHAM HOTEL EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 December 2017

13. TANGIBLE ASSETS *(continued)*

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 £
At 31 December 2017	
Aggregate cost	3,099,427
Aggregate depreciation	—
Carrying value	<u>3,099,427</u>
At 31 December 2016	
Aggregate cost	3,099,427
Aggregate depreciation	—
Carrying value	<u>3,099,427</u>

14. STOCKS

	2017 £	2016 £
Stock	<u>13,163</u>	<u>14,964</u>

15. DEBTORS

	2017 £	2016 £
Trade debtors	12,119	30,856
Amounts owed by group undertakings	—	20,161,513
Prepayments and accrued income	61,500	47,490
Other debtors	<u>11,519</u>	<u>35,501</u>
	<u>85,138</u>	<u>20,275,360</u>

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2017 £	2016 £
Cash at bank and in hand	780,109	1,307,671
Bank overdrafts	<u>(3,097)</u>	<u>—</u>
	<u>777,012</u>	<u>1,307,671</u>

THE BONHAM HOTEL EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 December 2017

17. CREDITORS: amounts falling due within one year

	2017	2016
	£	£
Bank loans and overdrafts	3,097	–
Trade creditors	78,624	197,517
Amounts owed to group undertakings	5,119,006	17,842,602
Accruals and deferred income	251,867	133,029
Corporation tax	79,924	655
Social security and other taxes	124,006	89,625
Other creditors	290,911	53,621
	<u>5,947,435</u>	<u>18,317,049</u>

Included in amounts owed to group undertakings is an amount of £5,000,000 (2016: £nil) which has been secured on the company's freehold property.

18. PROVISIONS

	Deferred tax (note 19) £
At 1 January 2017	487,715
Charge against provision	(86,289)
At 31 December 2017	<u>401,426</u>

19. DEFERRED TAX

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

	2017	2016
	£	£
Included in provisions (note 18)	<u>401,426</u>	<u>487,715</u>

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

	2017	2016
	£	£
Accelerated capital allowances	77,381	90,091
Revaluation of tangible assets	324,231	397,624
Deferred tax - other timing differences	(186)	–
	<u>401,426</u>	<u>487,715</u>

20. EMPLOYEE BENEFITS

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £10,612 (2016: £10,045).

THE BONHAM HOTEL EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 December 2017

21. FINANCIAL INSTRUMENTS

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

	2017 £	2016 £
Financial assets that are debt instruments measured at amortised cost		
Financial assets that are debt instruments measured at amortised cost	<u>20,338</u>	<u>20,227,870</u>
Financial liabilities measured at amortised cost		
Financial liabilities measured at amortised cost	<u>5,740,408</u>	<u>18,226,769</u>

22. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2017		2016	
	No.	£	No.	£
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:

	2017 £	2016 £
Not later than 1 year	2,537	2,537
Later than 1 year and not later than 5 years	<u>5,074</u>	<u>7,611</u>
	<u>7,611</u>	<u>10,148</u>

THE BONHAM HOTEL EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 December 2017

25. RELATED PARTY TRANSACTIONS

Included within debtors due within one year is the following amount due from the related parties:

	2017	2016
	£	£
Blythwood Square Hotel Glasgow Limited	–	20,161,513

The above balance is interest free and unsecured.

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

	2017	2016
	£	£
Siena Bidco Limited	–	17,842,602
Bonham Edinburgh Investments LLC	119,006	–
DrieHaus Real Estate Investments LLC	5,000,000	–

During the year interest has been accrued on the amounts due from DrieHaus Real Estate Investments LLC amounting to £132,877 (2016: £nil).

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 £111,100 (2016: £57,550).

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.