

COMPANY REGISTRATION NUMBER: SC118669

THE BONHAM HOTEL EDINBURGH LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2020



THE BONHAM HOTEL EDINBURGH LIMITED
FINANCIAL STATEMENTS
Year ended 31 December 2020

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THE BONHAM HOTEL EDINBURGH LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Mr R H Driehaus
Ms A Armstrong
Mr B K Lantz

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 2020

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

Company Business Review

Following the completion of an extensive refurbishment in Q2 2019 the hotel traded exceptionally well and the Company was in a strong position going into 2020. The first two month of 2020 saw revenues up 91% on 2019. This was brought to an abrupt halt by the Covid-19 pandemic when Government regulation forced the hotel to close in March 2020. This has had a devastating impact on the company's performance during this financial year.

During the remainder of the financial year the hotel was closed apart from a small window during the Summer when the hotel could trade but under severe restrictions.

Throughout the enforced closure period the Company took all necessary measures to preserve cash and maintain the asset in good order.


The key performance indicators for the year ended 31 December 2020 are as follows:

	2020	2019
	£	£
Turnover	898,329	2,734,277
Gross Profit(%)	8.57	47
EBITDA	(466,694)	(256,555)

Principal risks and uncertainties

Coronavirus restrictions have meant that the hotel remained closed into 2021. The hotel reopened in May 2021 and has seen trade steadily increase. It is unlikely, however, that trading will fully recover until such a time the pandemic is fully under control.

This report was approved by the board of directors on 28.09.2021 and signed on behalf of the board by:


Mr B K Lantz
Director

THE BONHAM HOTEL EDINBURGH LIMITED

DIRECTORS' REPORT

Year ended 31 December 2020

The directors present their report and the financial statements of the company for the year ended 31 December 2020.

Directors

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

Mr R H Driehaus	
Ms A Armstrong	(Appointed 7 October 2020)
Mr B K Lantz	(Appointed 7 October 2020)
Mr F Garcia	(Retired 7 October 2020)
Ms M M Mellin	(Retired 7 October 2020)

Dividends

The directors do not recommend the payment of a dividend.

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.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 23 to the financial statements.

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 BONHAM HOTEL EDINBURGH LIMITED

DIRECTORS' REPORT *(continued)*

Year ended 31 December 2020

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.

Auditor

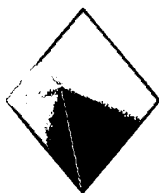
Each of the persons who is a director at the date of approval of this report confirms that:

- 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.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 28.09.2021 and signed on behalf of the board by:


Mr B K Lantz
Director



**KILSBY
WILLIAMS**
Chartered Accountants

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

Year ended 31 December 2020

Opinion

We have audited the financial statements of The Bonham Hotel Edinburgh Limited (the 'company') for the year ended 31 December 2020 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 2020 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



**KILSBY
WILLIAMS**
Chartered Accountants

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

Year ended 31 December 2020

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.



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

Year ended 31 December 2020

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company that were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focussed on laws and regulations which could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and UK tax legislation. Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries with management and enquiries of legal counsel. There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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.



**KILSBY
WILLIAMS**
Chartered Accountants

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

Year ended 31 December 2020

- 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.

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

Kilsby Williams LLP
29th September 2021

THE BONHAM HOTEL EDINBURGH LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2020

		2020	2019
	Note	£	£
TURNOVER	5	898,329	2,734,227
Cost of sales		(975,282)	(1,448,745)
GROSS (LOSS)/PROFIT		(76,953)	1,285,482
Administrative expenses		(1,198,492)	(1,471,869)
Other operating income	6	319,564	–
OPERATING LOSS	7	(955,881)	(186,387)
Interest payable and similar expenses		(424,841)	(397,500)
LOSS BEFORE TAXATION		(1,380,722)	(583,887)
Tax on loss	10	228,463	75,883
LOSS FOR THE FINANCIAL YEAR		(1,152,259)	(508,004)
Tax relating to components of other comprehensive income		(38,145)	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(1,190,404)	(508,004)

All the activities of the company are from continuing operations.

The notes on pages 13 to 23 form part of these financial statements.

THE BONHAM HOTEL EDINBURGH LIMITED

BALANCE SHEET

31 December 2020

	Note	2020 £	2019 £
FIXED ASSETS			
Tangible assets	11	9,859,376	10,173,016
CURRENT ASSETS			
Stocks	12	12,809	17,365
Debtors	13	77,108	199,649
Cash at bank and in hand		213,639	636,788
		303,556	853,802
CREDITORS: amounts falling due within one year	14	(10,315,320)	(9,798,484)
NET CURRENT LIABILITIES		(10,011,764)	(8,944,682)
TOTAL ASSETS LESS CURRENT LIABILITIES		(152,388)	1,228,334
PROVISIONS	15	(143,415)	(333,733)
NET (LIABILITIES)/ASSETS		(295,803)	894,601
CAPITAL AND RESERVES			
Called up share capital	19	100,000	100,000
Fair value reserve	20	(38,145)	—
Profit and loss account	20	(357,658)	794,601
SHAREHOLDERS FUNDS		(295,803)	894,601

These financial statements were approved by the board of directors and authorised for issue on 28.07.2021, and are signed on behalf of the board by:


Mr B K Lantz
Director

Company registration number: SC118669

The notes on pages 13 to 23 form part of these financial statements.

THE BONHAM HOTEL EDINBURGH LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Called up share capital £	Fair value reserve £	Profit and loss account £	Total £
AT 1 JANUARY 2019	100,000	–	1,302,605	1,402,605
Loss for the year			(508,004)	(508,004)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	–	(508,004)	(508,004)
AT 31 DECEMBER 2019	100,000	–	794,601	894,601
Loss for the year			(1,152,259)	(1,152,259)
Other comprehensive income for the year:				
Tax relating to components of other comprehensive income	10	(38,145)	–	(38,145)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	(38,145)	(1,152,259)	(1,190,404)
AT 31 DECEMBER 2020	100,000	(38,145)	(357,658)	(295,803)

The notes on pages 13 to 23 form part of these financial statements.

THE BONHAM HOTEL EDINBURGH LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	2020 £	2019 £
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the financial year	(1,152,259)	(508,004)
<i>Adjustments for:</i>		
Depreciation of tangible assets	494,051	442,942
Government grant income	(319,564)	–
Interest payable and similar expenses	424,841	397,500
Loss on disposal of tangible assets	–	93,385
Tax on loss	(228,463)	(75,883)
Accrued (income)/expenses	(52,742)	4,472
<i>Changes in:</i>		
Stocks	4,556	(5,700)
Trade and other debtors	122,541	(2,491)
Trade and other creditors	(282,181)	78,591
Cash generated from operations	(989,220)	424,812
Tax received/(paid)	76,918	(7,643)
Net cash (used in)/from operating activities	<u>(912,302)</u>	<u>417,169</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible assets	(180,411)	(1,054,261)
Net cash used in investing activities	<u>(180,411)</u>	<u>(1,054,261)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	250,000	–
Proceeds from loans from group undertakings	100,000	380,175
Government grant income	319,564	–
Net cash from financing activities	<u>669,564</u>	<u>380,175</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(423,149)</u>	<u>(256,917)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>636,788</u>	<u>893,705</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>213,639</u>	<u>636,788</u>

The notes on pages 13 to 23 form part of these financial statements.

THE BONHAM HOTEL EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

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 it is probable the expenses recognised will be recovered.

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 2020

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 improvem	-	10% - 20% 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 2020

3. ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model and the performance model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

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.

THE BONHAM HOTEL EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 December 2020

3. ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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 2020

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:

	2020 £	2019 £
Sale of goods	328,066	764,837
Rendering of services	570,263	1,969,390
	<u>898,329</u>	<u>2,734,227</u>

THE BONHAM HOTEL EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 December 2020

5. TURNOVER *(continued)*

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

6. OTHER OPERATING INCOME

	2020 £	2019 £
Government grant income	319,564	—

7. OPERATING PROFIT

Operating profit or loss is stated after charging:

	2020 £	2019 £
Depreciation of tangible assets	494,051	442,942
Loss on disposal of tangible assets	—	93,385

8. AUDITOR'S REMUNERATION

	2020 £	2019 £
Fees payable for the audit of the financial statements	9,500	9,500

9. STAFF COSTS

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

	2020 No.	2019 No.
Operational	57	59

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

	2020 £	2019 £
Wages and salaries	859,387	1,026,623
Social security costs	63,279	75,174
Other pension costs	21,535	20,144
	944,201	1,121,941

10. TAX ON LOSS

Major components of tax income

	2020 £	2019 £
Current tax:		
Adjustments in respect of prior periods	—	7,643

THE BONHAM HOTEL EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 December 2020

10. TAX ON LOSS *(continued)*

	2020 £	2019 £
Deferred tax:		
Origination and reversal of timing differences	(228,463)	(83,526)
Tax on loss	<u>(228,463)</u>	<u>(75,883)</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 £38,145 (2019: £Nil).

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	2020 £	2019 £
Loss on ordinary activities before taxation	(1,380,722)	(583,887)
Loss on ordinary activities by rate of tax	(263,261)	(110,939)
Adjustment to tax charge in respect of prior periods	1,117	(4,362)
Effect of expenses not deductible for tax purposes	33,681	31,003
Tax rates changes	–	8,415
Tax on loss	<u>(228,463)</u>	<u>(75,883)</u>

11. TANGIBLE ASSETS

	Freehold property £	Plant and machinery, fixtures and fittings and freehold improvements £	Total £
Cost			
At 1 January 2020	6,870,385	4,210,907	11,081,292
Additions	–	180,411	180,411
At 31 December 2020	<u>6,870,385</u>	<u>4,391,318</u>	<u>11,261,703</u>
Depreciation			
At 1 January 2020	30,939	877,337	908,276
Charge for the year	6,870	487,181	494,051
At 31 December 2020	<u>37,809</u>	<u>1,364,518</u>	<u>1,402,327</u>
Carrying amount			
At 31 December 2020	<u>6,832,576</u>	<u>3,026,800</u>	<u>9,859,376</u>
At 31 December 2019	<u>6,839,446</u>	<u>3,333,570</u>	<u>10,173,016</u>

THE BONHAM HOTEL EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 December 2020

11. TANGIBLE ASSETS *(continued)*

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 £
At 31 December 2020	
Aggregate cost	3,099,427
Aggregate depreciation	—
Carrying value	<u>3,099,427</u>
At 31 December 2019	
Aggregate cost	3,099,427
Aggregate depreciation	—
Carrying value	<u>3,099,427</u>

12. STOCKS

	2020 £	2019 £
Stock	<u>12,809</u>	<u>17,365</u>

13. DEBTORS

	2020 £	2019 £
Trade debtors	3,517	39,182
Prepayments and accrued income	47,239	83,549
Corporation tax repayable	—	76,918
Other debtors	26,352	—
	<u>77,108</u>	<u>199,649</u>

14. CREDITORS: amounts falling due within one year

	2020 £	2019 £
Bank loans and overdrafts	250,000	—
Trade creditors	53,973	189,706
Amounts owed to group undertakings	8,549,181	8,449,181
Accruals and deferred income	1,323,451	951,352
Social security and other taxes	63,525	134,068
Other creditors	75,190	74,177
	<u>10,315,320</u>	<u>9,798,484</u>

THE BONHAM HOTEL EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 December 2020

15. PROVISIONS

	Deferred tax (note 16) £
At 1 January 2020	333,733
Additions	(190,318)
At 31 December 2020	<u>143,415</u>

16. DEFERRED TAX

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

	2020 £	2019 £
Included in provisions (note 15)	<u>143,415</u>	<u>333,733</u>

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

	2020 £	2019 £
Accelerated capital allowances	319,934	259,164
Revaluation of tangible assets	362,376	324,231
Deferred tax - other timing differences	(538,895)	(249,662)
	<u>143,415</u>	<u>333,733</u>

17. EMPLOYEE BENEFITS

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £21,535 (2019: £20,144).

18. GOVERNMENT GRANTS

The amounts recognised in the financial statements for government grants are as follows:

	2020 £	2019 £
Recognised in other operating income:		
Government grants recognised directly in income	<u>319,564</u>	<u>—</u>

19. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2020		2019	
	No.	£	No.	£
Ordinary shares of £0.10 each	<u>1,000,000</u>	<u>100,000</u>	<u>1,000,000</u>	<u>100,000</u>

THE BONHAM HOTEL EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 December 2020

20. 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.

21. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2020	Cash flows	At 31 Dec 2020
	£	£	£
Cash at bank and in hand	636,788	(423,149)	213,639
Debt due within one year	(8,449,181)	(350,000)	(8,799,181)
	<u>(7,812,393)</u>	<u>(773,149)</u>	<u>(8,585,542)</u>

22. OPERATING LEASES

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

	2020	2019
	£	£
Not later than 1 year	<u>-</u>	<u>2,537</u>

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

Prior to and subsequent to the period end, economies and financial markets around the world experienced financial falls arising from uncertainties linked to COVID-19 pandemic. Management has considered the consequences of COVID-19 and other events and conditions, and it has determined that they do not create a material uncertainty that casts significant doubt upon the entity's ability to continue as a going concern.

24. RELATED PARTY TRANSACTIONS

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

	2020	2019
	£	£
Bonham Edinburgh Investments LLC	119,006	119,006
Driehaus Real Estate Investments LLC	8,330,175	7,950,000

During the year interest has been accrued on the amounts due from Driehaus Real Estate Investments LLC amounting to £1,306,985(2019: £882,144).

Key management personnel include all persons that have the 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 £88,736(2019: £105,003)

THE BONHAM HOTEL EDINBURGH LIMITED

DETAILED PROFIT AND LOSS ACCOUNT *(continued)*

Year ended 31 December 2020

25. 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.