Financial Statements
Hotel Property Fund (Syndicate 2) Limited

For the Period Ended 31 January 2016

Registered number: SC292735

Hotel Property Fund (Syndicate 2) Limited
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Company Information

Directors	J A Brown C E Dickson A Higgins W Paisley B Hutchison (resigned 30 November 2015) S F Valentine
Company secretary	Brodies Secretarial Services Limited
Registered number	SC292735
Registered office	C/O Brodies LLP 15 Atholl Crescent Edinburgh EH3 8HA
Independent statutory auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 7 Exchange Crescent Edinburgh EH3 8AN
Bankers	Bank of Scotland 3-5 Albyn Place Aberdeen AB10 1PY
Legal advisors	Brodies LLP 15 Atholl Crescent Edinburgh EH3 8HA

Hotel Property Fund (Syndicate 2) Limited
Registered number:SC292735

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Hotel Property Fund (Syndicate 2) Limited
Registered number:SC292735

Strategic Report

For the Period Ended 31 January 2016

Introduction

The principal activity of the company during the period was that of the operation of a hotel.

Business review

Financial overview

Turnover for the period to 31 January 2016 amounted to £3.5m (2015: £3.4m), an improvement of £145k on the prior period. The profit before tax improved by £32k to £0.7m (2015: £0.6m).

	Period from 26 January 2015 to 31 January 2016	Period from 27 January 2014 to 25 January 2015	Change
	£000	£000	(%)
Turnover	**3,507**	3,362	4.3
Gross Profit	**3,159**	3,037	4.0
Profit before tax	**663**	630	5.2

Strategy

The company strategy during the period continues to be that of striving to position the hotel and its associated facilities as one of choice for the business and leisure guest. This strategy is underpinned by the continuing maintenance of the property together with significant resources devoted to staff training and development.

Turnover

Sales improved by 4.3% on the prior period.

Gross profit

A gross margin of 90.1% was achieved in the period very much in line with the prior period of 90.3%, and at this level, ahead of expectations.

The forward view remains relatively positive with continued effort being focused on the supply chain to ensure maximum efficiencies. Inflationary pressures on global commodity purchases may have a limited adverse impact.

Operating costs

Operating costs have increased by £120k to £2.59m, with the overall spend increasing in line with sales at 74% of turnover, very much in line with the prior period.

Capital expenditure

The directors continue to embark upon a sustained programme of asset management and improvement by ensuring adequate sums are available to refurbish and maintain the hotel property to a high level to ensure guest satisfaction and efficiency of operation.

Capital expenditure during the period amounted to £51k.

The level of investment is key to maintaining the property in good order to retain existing and attract new customers.

Strategic Report (continued)

For the Period Ended 31 January 2016

Principal risks and uncertainties

Principal risks and uncertainties

The management of the business and nature of the company's activities are subject to a number of risks.

The directors are of the opinion that a thorough risk management process is adopted which involves the formal review of all of the risks identified below. Where possible, processes are in place to monitor and mitigate such risks. The directors have set out below the principal risks facing the business.

Economic downturn

The success of the business is in part dependent upon business and consumer spending. A marked reduction in such spending will impact on company income, however minor fluctuations will have little effect. In response to this risk, senior management review economic conditions, specifically within the local market and more generally within the wider economy. Should severe downturns be predicted or occur, marketing and pricing strategies would be modified to reflect the new market conditions. Finally and importantly, operational efficiency of the business is also continually monitored and challenged to ensure that best value is extracted from all areas.

Competition

Local competition exists. As a result pressure may be applied to pricing and/or the level of service provided to customers. Diligent and continuous market research of prices, offerings and forthcoming events is in place to ensure this risk is minimised.

Product

Due to the market in which the company operates the quality of the offering to the guest is of prime importance. Accordingly should any of the guest areas fall into a state of disrepair there is a risk of losing business.

To mitigate this risk the directors and senior management operate an asset management programme to ensure the property is maintained to a high level ensuring guest satisfaction and operational efficiency.

Financial key performance indicators

	Period from 26 January 2015 to 31 January 2016	Period from 27 January 2014 to 25 January 2015
Gross profit margin (%)	**90.1**	90.3
Capital expenditure (£'000)	**51**	189

This report was approved by the board on 30 June 2016 and signed on its behalf.

A Higgins
Director

Directors' Report
For the Period Ended 31 January 2016

The directors present their report and the financial statements for the period ended 31 January 2016.

Results and dividends

The profit for the period, after taxation, amounted to £527k (2015 - £494k). The directors have not recommended the payment of a dividend in the current or prior period.

Future developments

The directors continue to review local completion and the wider economy to identify opportunities for growth in what is envisaged to be a stable but challenging local market. They believe that through continual strategic investment, both in the property and staff through training and development, that a competitive edge will be maintained enabling the company to preserve its current market share in the ensuing year.

It is the directors' belief that future sales and trading profit levels are likely to remain ahead of expectations.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business review section of the Strategic Report.

In addition the Directors' Report includes the company's financial risk management objectives and policies. These cover the principal areas of perceived risk including: financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit and liquidity risk.

Trading forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should continue to generate positive cash flows for the foreseeable future.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

The directors who served during the period were:

J A Brown
C E Dickson
A Higgins
W Paisley
B Hutchison (resigned 30 November 2015)
S F Valentine

Fixed assets

The property was independently valued during August 2010 by Colliers International at a value in excess of the carrying value in the financial statements. The directors are of the opinion that the open market value of the hotel property continues to be in excess of the carrying value in the financial statements at the Balance sheet date.

Post balance sheet events

There have been no significant events affecting the company since the period end.

Directors' Report
For the Period Ended 31 January 2016

Financial risk management objectives and policies

The company is funded by financial instruments including loans, cash and operational items, such as trade debtors and trade creditors which have inherent financial risk. The Board prudently manages these financial risks in the manner shown below. All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

Financial Risk
Financial risk encompasses currency risk, price risk, liquidity risk, insurance risk and interest rate risk. The company's policies for managing the fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below.

Interest rate risk
The interest rate risk is mitigated by having in place a ladder swap arrangement of £5.3m which is designated as fixed as current rates are below the lower rung of the swap. The interest rate exposure of the financial assets and liabilities includes trade debtors, trade creditors and intercompany balances and as these do not attract interest are therefore subject to fair value interest rate risk.

Liquidity risk
The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by a group offset arrangement.

Currency risk
The company is not exposed to currency risk as all transactions and balances are denominated in sterling.

Price risk
The company is not exposed to price risk as it does not hold any financial instruments subject to pricing by third parties.

Credit risk
The company's principal financial assets are cash, trade debtors and balances with group undertakings. The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit rating agencies. The credit risk associated with the balances with group undertakings is limited as the counterparties are under common control. The principal credit risk arises therefore from its trade debtors. In order to manage credit risk the directors set limits for customers based on references from an independent credit reference agency. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

The company has entered into a cross company guarantee with its fellow subsidiaries, Speedbird Developments Limited, Huntingtower Hotel (Perth) Limited and Hotel Property Fund (Syndicate 1) Limited. If there is a default on these borrowings the company may be required to make good. At 31 January 2016 the total indebtedness with the bank was £19.7 million. The directors believe the financial condition of the fellow subsidiaries is such that this guarantee will not be called upon.

Insurance risk
The directors put in place appropriate insurance policies in the following areas: property, employer and public liability, consequential loss and director and officer cover. Annual reviews are undertaken to ensure that cover is maintained and in appropriate areas and at levels sufficient to protect the business.

Directors' Report
For the Period Ended 31 January 2016

Directors' responsibilities statement

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

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

- select suitable accounting policies for the company financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- 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 directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

Disclosure of information to auditor

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

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

Auditors

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30 June 2016 and signed on its behalf.

A Higgins
Director

Grant Thornton

Independent Auditor's Report to the Members of Hotel Property Fund (Syndicate 2) Limited

We have audited the financial statements of Hotel Property Fund (Syndicate 2) Limited for the period ended 31 January 2016, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

Respective responsibilities of Directors and Auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statement

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

GrantThornton

Independent Auditor's Report to the Members of Hotel Property Fund (Syndicate 2) Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Grant Thornton UK LLP

Diana Penny (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Statutory Auditor

Date: 30 June 2016

Statement of Comprehensive Income

For the Period Ended 31 January 2016

	Note	January 31 2016 £000	January 25 2015 £000
Turnover	4	**3,507**	3,362
Cost of sales		**(348)**	(325)
Gross profit		**3,159**	3,037
Administrative expenses		**(2,592)**	(2,472)
Fair value movements		**241**	212
Operating profit	5	**808**	777
Interest receivable and similar income		**1**	-
Interest payable and expenses	7	**(146)**	(147)
Profit before tax		**663**	630
Tax on profit	8	**(136)**	(136)
Profit for the period		**527**	494
Other comprehensive income for the period			
Fair value movement on hedging instrument		**(98)**	(582)
Deferred tax on fair value movements		**20**	116
Other comprehensive income for the period		**(78)**	(466)
Total comprehensive income for the period		**449**	28

The notes on pages 12 - 27 form part of these financial statements.

Hotel Property Fund (Syndicate 2) Limited
Registered number:SC292735

Balance Sheet
As at 31 January 2016

	Note		31 January 2016 £000		25 January 2015 £000
Fixed assets					
Tangible assets	9		**7,699**		7,992
			7,699		7,992
Current assets					
Stocks		**23**		24	
Debtors: amounts falling due within one year	10	**1,159**		615	
Cash at bank and in hand	11	**867**		926	
		2,049		1,565	
Creditors: amounts falling due within one year	12	**(778)**		(731)	
Net current assets			**1,271**		834
Total assets less current liabilities			**8,970**		8,826
Creditors: amounts falling due after more than one year	13		**(10,123)**		(10,428)
Net assets			**(1,153)**		(1,602)
Capital and reserves					
Called up share capital	19		**109**		109
Cashflow hedges	18		**(471)**		(393)
Profit and loss account	18		**(791)**		(1,318)
			(1,153)		(1,602)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 June 2016.

William Paisley

W Paisley
Director

The notes on pages 12 - 27 form part of these financial statements.

Hotel Property Fund (Syndicate 2) Limited
Registered number:SC292735

Statement of Changes in Equity

As at 31 January 2016

	Share capital	Cash flow hedges	Retained earnings	Total equity
	£000	£000	£000	£000
At 26 January 2015	109	(393)	(1,318)	(1,602)
Comprehensive income for the period				
Profit for the period	-	-	527	527
Taxation in respect of items of other comprehensive income	-	20	-	20
Fair value movements on financial instruments	-	(98)	-	(98)
Other comprehensive income for the period	-	(78)	-	(78)
Total comprehensive income for the period	-	(78)	527	449
Total transactions with owners	-	-	-	-
At 31 January 2016	109	(471)	(791)	(1,153)

The notes on pages 12 - 26 form part of these financial statements.

Statement of Changes in Equity

As at 25 January 2015

	Share capital	Cash flow hedges	Retained earnings	Total equity
	£000	£000	£000	£000
At 27 January 2014	109	73	(1,812)	(1,630)
Comprehensive income for the period				
Profit for the period	-	-	494	494
Taxation in respect of items of other comprehensive income	-	116	-	116
Fair value movements on financial instruments	-	(582)	-	(582)
Other comprehensive income for the period	-	(466)	-	(466)
Total comprehensive income for the period	-	(466)	494	28
Total transactions with owners	-	-	-	-
At 25 January 2015	109	(393)	(1,318)	(1,602)

The notes on pages 12 - 26 form part of these financial statements.

Notes to the Financial Statements
For the Period Ended 31 January 2016

1. Company Information

Hotel Property Fund (Syndicate 2) Limited is a private limited company incorporated and domiciled in Scotland, where its principal activity of operating a hotel is based.

The company's registered office is shown on the Company Information page at the beginning of these financial statements.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 24.

The accounts are presented in GBP. The company presents the financial statements in round thousands.

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Etchecan Limited as at 31 January 2016 and these financial statements may be obtained from Companies House.

The company intends to present its next set of financial statements with the same disclosure exemptions adopted.

2.3 Going concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Notes to the Financial Statements
For the Period Ended 31 January 2016

2. Accounting policies (continued)

2.4 Turnover

Turnover arises from the provision of accommodation, food and beverage sales, corporate and private events, leisure club memberships, room hire and associated services. Revenue is recognised when the respective service has been fully provided.

2.5 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives.

The estimated useful lives range as follows:

Freehold property	-	Freehold land and core buildings are not depreciated, non-core buildings element 2% per annum
Fixtures & fittings	-	6.5% - 20% straight line

Expenditure on repairs and renewals is charged to the profit and loss account at the time of expenditure. Major refurbishment projects forming part of the planned programme of maintaining the properties in a good state of repair are capitalised at cost under the appropriate asset category and depreciated in accordance with the accounting policy. Any net book value attributable to the asset concerned is written off to the profit and loss account when refurbishment takes place.

Finance costs that are directly attributable to the refurbishment or extension of an asset whilst the asset is in development and not revenue generating are capitalised as part of the cost.

2.6 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving items.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.8 Cash and cash equivalents

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

Notes to the Financial Statements
For the Period Ended 31 January 2016

2. Accounting policies (continued)

2.9 Financial instruments

The company enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, such as the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The company has entered into interest rate swaps which are being classed as non-basic financial instruments. These derivative instruments are valued at fair value at the balance sheet date. If the derivative has been designated as a hedging instrument, hedge accounting has been applied. Where hedge accounting has not been applied the derivative instrument has been valued at fair value with any changes in the fair value of the instrument being recognised in the statement of comprehensive income for the period.

2.10 Creditors

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

Notes to the Financial Statements
For the Period Ended 31 January 2016

2. Accounting policies (continued)

2.11 Hedge accounting

The company has entered into a variable to fixed rate interest swap to manage its exposure to interest rate cash flow risk on its variable rate debt. This derivative is measured at fair value at each balance sheet date. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the period.

2.12 Finance costs

Finance costs are charged to the Profit and Loss Account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

2.13 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the period.

2.14 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet date.

2.15 Interest income

Interest income is recognised in the Profit and Loss Account using the effective interest method.

2.16 Provisions for Liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss Account in the period that the company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Notes to the Financial Statements

For the Period Ended 31 January 2016

2. Accounting policies (continued)

2.17 Current and deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computations.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

Current tax provided at amounts expected to be paid (or recovered) using the tax rate enacted or substantially enacted at the balance sheet date.

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

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty
The carrying amounts of the vast majority of assets and liabilities are factual or can be supported by information available from other sources. The directors conclude therefore that a very low level of risk due to estimation uncertainty exists. The directors feel it prudent however to detail below the one area where the potential for an adjustment to a future financial period may arise.

Useful economic lives of property, plant and equipment
The annual depreciation charge for property, plant and equipment will vary in line with changes to the estimates of useful economic lives and where appropriate residual values of the assets. The useful economic lives and residual values are assessed at each balance sheet date. They are amended when necessary to reflect current estimates, based on technological advancement, future investment plans, economic utilisation and the
physical condition of the assets.

Financial instruments
A variable to fixed rate interest swap is used in the management of interest rate risk. The directors have fully reviewed the documented terms of this instrument and the related hedged item and have concluded that hedge accounting should apply. The effectiveness of this hedge will be continually monitored and hedge accounting discontinued should the hedge cease to be effective.

Notes to the Financial Statements
For the Period Ended 31 January 2016

4. Analysis of turnover

	2016 £000	2015 £000
United Kingdom	**3,507**	3,362
	3,507	3,362

All turnover relates to one class of business.

5. Operating profit

The operating profit is stated after charging:

	2016 £000	2015 £000
Depreciation of tangible fixed assets	**341**	319
Auditor's remuneration - audit services	**7**	6
Loss on disposal of tangible fixed assets	**3**	45

During the period, no director received any emoluments (2015 - £NIL).

6. Employees

Staff costs were as follows:

	2016 £000	2015 £000
Wages and salaries	**947**	943
Social security costs	**59**	57
Cost of defined contribution scheme	**6**	4
	1,012	1,004

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

	2016 No.	2015 No.
Hotel Staff and Management	**64**	63

Notes to the Financial Statements

For the Period Ended 31 January 2016

7. Interest payable and similar charges

	2016 £000	2015 £000
Bank interest payable	**146**	147
	146	147

8. Taxation

	2016 £000	2015 £000
Corporation tax		
Current tax on profits for the year	**126**	128
Total current tax	**126**	128
Deferred tax		
Origination and reversal of timing differences	**10**	8
Total deferred tax	**10**	8
Total tax charge for the period	**136**	136

Factors affecting tax charge for the period

The tax assessed for the period is higher than (2015 - higher than) the standard rate of corporation tax in the UK of 20.18% (2015 - 21.35%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	**663**	630
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.18% (2015 - 21.35%)%)	**134**	134
Effects of:		
Differences in tax rates	**-**	(1)
Non qualifying depreciation	**2**	3
Total tax charge for the period	**136**	136

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £(20k) (2015: £(116)k).

Notes to the Financial Statements

For the Period Ended 31 January 2016

8. Taxation (continued)

Factors that may affect future tax charges

The rate of UK corporation tax will decrease to 19% for years starting 1 April 2017, 2018 and 2019 and reduce further to 18% from 1 April 2020. At the Budget 2016, the government announced a further reduction to the Corporation Tax rate for the year starting 1 April 2020, reducing the rate from 18% to 17%.

9. Tangible fixed assets

	Freehold property £000	Fixtures & Fittings £000	Total £000
Cost or valuation			
At 26 January 2015	6,112	3,931	10,043
Additions	-	51	51
Disposals	-	(29)	(29)
At 31 January 2016	6,112	3,953	10,065
Depreciation			
At 26 January 2015	104	1,947	2,051
Charge for the period	12	329	341
Disposals	-	(26)	(26)
At 31 January 2016	116	2,250	2,366
At 31 January 2016	5,996	1,703	7,699
At 25 January 2015	6,008	1,984	7,992

Included within the cost of £10,065k is interest incurred during the refurbishment of a property amounting to £106k (2015: £106k).

Notes to the Financial Statements
For the Period Ended 31 January 2016

10. Debtors

	31 January 2016 £000	25 January 2015 £000
Trade debtors	68	17
Amounts owed by group undertakings	860	366
Prepayments and accrued income	39	50
Deferred taxation	192	182
	1,159	615

11. Cash and cash equivalents

	31 January 2016 £000	25 January 2015 £000
Cash at bank and in hand	867	926
	867	926

12. Creditors: Amounts falling due within one year

	31 January 2016 £000	25 January 2015 £000
Bank loans	87	85
Trade creditors	67	82
Amounts owed to group undertakings	102	77
Corporation tax	74	78
Taxation and social security	93	100
Other creditors	118	200
Accruals and deferred income	161	109
Financial instruments	76	-
	778	731

Notes to the Financial Statements
For the Period Ended 31 January 2016

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

	31 January 2016 £000	25 January 2015 £000
Bank loans	**9,516**	9,602
Financial instruments (after 1 yr)	**607**	826
	10,123	10,428

The company has granted a bond and floating charge over the company's assets in favour of the Bank of Scotland. The company has also granted a standard security over its freehold property to secure the borrowings of Huntingtower Hotel (Perth) Limited, Hotel Property Fund (Syndicate 1) Limited and Speedbird Developments Limited, all fellow subsidiaries.

The principal terms of the bank loans can be summarised as follows:

The company's facilities provided by Bank of Scotland amounting to £9.60m, which mature during December 2021, bear interest at an overall rate of base rate plus 1%. Capital repayments during the period amounted to £84k (2015: £84k).

At the period end the company had a ladder swap arrangement on one of its loans which was put in place to protect against rate movements on a current balance of £5.3m of debt. This had been fair valued at £(76)k at 31 January 2016 (2015: £(317)k). The balance sheet value of this instrument is £(76)k (2015: £(317)k). The movements in the fair value have been recognised in the Statement of Comprehensive income for the period. The arrangement expires in May 2016.

The company entered into an interest swap agreement, which will commence in June 2016. The interest swap agreement has been fair valued at £(607)k at 31 January 2016 (2015: £(509)k). The balance sheet value of this instrument is £(607)k (2015: £(509)k). This instrument has been designated as a hedging instrument in a cash flow hedge.

Notes to the Financial Statements
For the Period Ended 31 January 2016

14. Loans

Analysis of the maturity of loans is given below:

	31 January 2016 £000	25 January 2015 £000
Amounts falling due within one year		
Bank loans	87	85
	87	85
Amounts falling due 1-2 years		
Bank loans	88	85
	88	85
Amounts falling due 2-5 years		
Bank loans	272	261
	272	261
Amounts falling due after more than 5 years		
Bank loans	9,156	9,256
	9,156	9,256

15. Capital repayment of loans

	31 January 2016 £000	25 January 2015 £000
Wholly repayable within 5 years		
By instalments	447	431
Other than by instalments	-	-
	447	431
Wholly repayable more than 5 years		
By instalments	86	186
Other than by instalments	9,070	9,070
	9,156	9,256

Notes to the Financial Statements
For the Period Ended 31 January 2016

16. Financial instruments

	31 January 2016 £000	25 January 2015 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**928**	383
	928	383
Financial liabilities		
Financial liabilities measured at amortised cost	**(9,934)**	(9,955)
Derivative financial instruments designated as hedges of variable interest rate risk	**(683)**	(826)
	(10,617)	(10,781)

Financial assets measured at amortised cost comprise trade, intercompany and other debtors.

Financial Liabilities measured at amortised cost comprise of bank loans, trade creditors, amounts owed to group undertakings and accruals and deferred income.

Derivative financial instruments designated as hedges of variable interest rate risk comprise of a ladder swap valued at £(76)k (2015: £(317)k) and an interest rate swap valued at £(607)k (2015: £(509)k). The ladder swap is accounted for as a non-basic financial instrument with movements being recognised in the profit and loss for the period. The change in fair value recognised in profit and loss for the period was £241k (2015: £212k). The interest rate swap has been designated as a hedging instrument in a cash flow hedge with movements being recognised in other comprehensive income. The movement in fair value recognised in other comprehensive income in the period was £98k (2015: £582k). These instruments have been entered into in order to hedge against the risk of variable interest rate movements on the company's variable rate loans.

17. Deferred taxation

	Deferred tax £000
At 26 January 2015	182
Charged to the profit or loss	(10)
Charged to other comprehensive income	20
At 31 January 2016	192

Notes to the Financial Statements
For the Period Ended 31 January 2016

The deferred tax asset is made up as follows:

	31 January 2016 £000	25 January 2015 £000
Accelerated capital allowances	**55**	17
Deferred tax on hedging instruments	**137**	165
	192	182

18. Reserves

Profit & loss account
The balance held on this reserve is the accumulated retained profits of the company.

Cash flow hedges
This reserve records the portion of the gain or loss net of deferred tax charges on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Share capital
The balance on the share capital account represents the aggregate nominal value of all ordinary and preference shares in issue.

19. Share capital

	31 January 2016 £000	25 January 2015 £000
Authorised, allotted, called up and fully paid		
109,100 Ordinary Shares shares of £1 each	**109**	109

20. Contingent liabilities

The company and its fellow subsidiaries Huntingtower Hotel (Perth) Limited, Hotel Property Fund (Syndicate 1) Limited, and Speedbird Developments Limited have entered into all sums cross guarantees in the period ended 38 January 2007, in respect of indebtedness of these companies to Bank of Scotland. The total indebtedness at 31 January 2016 with Bank of Scotland was £19.7m (2015: £17.1m), including company's own bank loans of £9.6m (2015: £9.7m).

21. Capital commitments

The directors have confirmed that there were no capital commitments at 31 January 2016 or 25 January 2015.

Notes to the Financial Statements
For the Period Ended 31 January 2016

22. Related party transactions

The company was owed £860k by other group companies at 31 January 2016 (2015: £366k). The company owed £102k to other group companies at 31 January 2016 (2015: £77k). During the period, the company paid £333k (2015: £311k) to a fellow subsidiary in respect of management services provided to it during the period.

23. Controlling party

The directors consider that the parent undertaking of this company is Etchecan Limited ("Etchecan"), a company registered in Scotland, by virtue of its 100% shareholding.

The company is controlled by J A Brown and C J Paton as a result of their controlling interest in Etchecan.

Notes to the Financial Statements
For the Period Ended 31 January 2016

24. Transition to FRS

The company transitioned to FRS 102 from previously extant UK GAAP as at 27 January 2014. The impact of the transition to FRS 102 is as follows:

Reconciliation of equity at 27 January 2014

	Note	£000
Equity at 27 January 2014 under previous UK GAAP		(1,265)
Transitional adjustment 1		(529)
Transitional adjustment 2		73
Transitional adjustment 3		91
Equity shareholders funds at 27 January 2014 under FRS 102		(1,630)

Reconciliation of equity at 25 January 2015

	Note	£000
Equity at 26 January 2015 under previous UK GAAP		(941)
Transitional adjustment 1		(317)
Transitional adjustment 2		(509)
Transitional adjustment 3		165
Equity shareholders funds at 26 January 2015 under FRS 102		(1,602)

Reconciliation of profit and loss account for the ended 25 January 2015

	£000
Profit for the period under UK GAAP	324
Transitional adjustment 1	212
Transitional adjustment 3	(42)
Restated profit for the financial year	494

The following were changes in accounting policies arising from the transition to FRS 102:

1 Financial instruments

Hotel Property Fund (Syndicate 2) Limited was not previously required to recognise derivative financial instruments on the balance sheet. Instead the effects of the derivative financial instruments were recognised in profit or loss on settlement.

Under FRS 102, derivative financial instruments are classified as other financial instruments and are recognised as a financial asset or a financial liability, at fair value, when an entity becomes party to the contractual provisions of the instrument.

24. Transition to FRS (continued)

Transitional adjustment 1 - Ladder Swap Instrument

On the adoption of the requirements of FRS 102, a financial liability of £529k has been recognised on the balance sheet at the date of transition, 27 January 2014.

At 25 January 2015 the fair value of the financial liability was £317k.

In accordance with the accounting policy the difference between the fair values of £529k and £317k has been recognised in profit and loss for the period ended 25 January 2015.

Transitional adjustment 2 - Interest Swap Instrument

The entity has designated one of this derivative financial instruments as a hedging instrument in a cash flow hedge.

On the adoption of the requirements of FRS 102, a financial asset of £73k has been recognised on the balance sheet at the date of transition, 27 January 2014.

At 25 January 2015 the fair value of the instrument was a financial liability of £509k.

In accordance with the accounting policy the movements are recognised in the cash flow hedge reserve as at 25 January 2015.

Transitional adjustment 3 - Deferred tax on FRS 102 adjustments

This represents the deferred tax element of Transitional adjustment 1 and Transition adjustment 2, which have been explained above.