

Financial Statements Hotel Property Fund (Syndicate 2) Limited

For the period ended 29 January 2017



Registered number: SC292735

Hotel Property Fund (Syndicate 2) Limited

Company Information

Directors	J A Brown C E Dickson A Higgins W Paisley 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

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Strategic report

For the period ended 29 January 2017

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 29 January 2017 amounted to £3.4m (2016: £3.5m), a decline of £76k on the prior period. The profit before tax fell by £0.2m to £0.5m (2016: £0.7m).

	Period from 01 February 2016 to 29 January 2017	Period from 26 January 2015 to 31 January 2016	Change
	£'000	£'000	%
Turnover	3,431	3,507	-2.17
Gross Profit	3,091	3,159	-2.15
Profit before tax	504	663	-24.0

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 moved back by 2.2% on the prior period.

Gross profit

A gross margin of 90.1% was achieved in the period in line with the prior period of 90.1%, and at this level, in line with 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 decreased by £106k to £2.49m, with the overall spend reducing in line with sales at 72% of turnover, a saving of 1.5% over 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 £123k (2016: £51k).

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

Strategic report

For the period ended 29 January 2017

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 01 February 2015 to 29 January 2017	Period from 26 January 2015 to 31 January 2016
Sales growth (%)	-2.17	4.3
Gross profit margin (%)	90.1	90.1
Profit before tax (%)	14.7	18.9
Capital expenditure (£'000)	122	51

This report was approved by the board on 29 June 2017 and signed on its behalf.


A Higgins
Director

Directors' report

For the period ended 29 January 2017

The directors present their report and the financial statements for the period ended 29 January 2017.

Results and dividends

The profit for the period, after taxation, amounted to £360k (2016 - £527k). 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.

Donations

During the period the company made charitable contributions of £10k (2016: £nil).

Directors' report (continued)

For the period ended 29 January 2017

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 on £9.07m of bank term debt is mitigated by having in place an interest rate swap of £7m, which is designated as fixed as the swap pays a fixed rate. The interest rate exposure of the financial assets and liabilities of the company at 29 January 2017 also includes trade debtors, trade creditors and intercompany debtors, which as these do not attract interest, are 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 29 January 2017 the total indebtedness with the bank was £18.4 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 (continued)

For the period ended 29 January 2017

Directors

The directors who served during the period were:

J A Brown
C E Dickson
A Higgins
W Paisley
S F Valentine

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's financial statements and then apply them consistently;
- make judgements 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 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.

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 Statement of Financial Position date.

Post Statement of Financial Position events

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

Directors' report (continued)

For the period ended 29 January 2017

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

Auditor

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 29 June 2017 and signed on its behalf.


A Higgins
Director

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 29 January 2017, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and the 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'.

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 on page 5, 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 statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 29 January 2017 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.

Independent auditor's report to the members of Hotel Property Fund (Syndicate 2) Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Directors' report for the financial period 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.

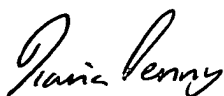
Matters on which we are required to report under the Companies Act 2006

In the light of our 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 and the Directors' report.

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.



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

Date: 29 June 2017

Statement of comprehensive income

For the period ended 29 January 2017

	Note	2017 £000	2016 £000
Turnover	4	3,431	3,507
Cost of sales		(340)	(348)
Gross profit		3,091	3,159
Administrative expenses		(2,486)	(2,592)
Fair value movements		76	241
Operating profit	5	681	808
Interest receivable and similar income	8	2	1
Interest payable and expenses	9	(179)	(146)
Profit before tax		504	663
Tax on profit	10	(144)	(136)
Profit for the financial period		360	527
Other comprehensive income for the period			
Fair value movement on hedging instrument		(27)	(98)
Deferred tax on fair value movements		(14)	20
Other comprehensive income for the period		(41)	(78)
Total comprehensive income for the period		319	449

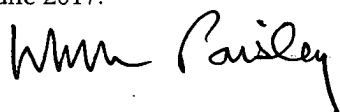
The notes on pages 13 to 27 form part of these financial statements.

Statement of financial position

As at 29 January 2017

	Note	29 January 2017 £000	31 January 2016 £000
Fixed assets			
Tangible assets	11	7,468	7,699
		<u>7,468</u>	<u>7,699</u>
Current assets			
Stocks	12	16	23
Debtors: amounts falling due within one year	13	1,296	1,159
Cash at bank and in hand	14	1,058	867
		<u>2,370</u>	<u>2,049</u>
Creditors: amounts falling due within one year	15	(607)	(778)
Net current assets		<u>1,763</u>	<u>1,271</u>
Total assets less current liabilities		<u>9,231</u>	<u>8,970</u>
Creditors: amounts falling due after more than one year	16	(10,065)	(10,123)
Net liabilities		<u>(834)</u>	<u>(1,153)</u>
Capital and reserves			
Called up share capital	22	109	109
Cash flow hedges	21	(512)	(471)
Profit and loss account	21	(431)	(791)
		<u>(834)</u>	<u>(1,153)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 June 2017.



W Paisley
Director

The notes on pages 13 to 27 form part of these financial statements.

Statement of changes in equity

For the period ended 29 January 2017

	Called up share capital	Cash flow hedges	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 February 2016	109	(471)	(791)	(1,153)
Comprehensive income for the period				
Profit for the period	-	-	360	360
Taxation in respect of items of other comprehensive income	-	(14)	-	(14)
Fair value movement on financial instruments	-	(27)	-	(27)
Other comprehensive income for the period	-	(41)	-	(41)
Total comprehensive income for the period	-	(41)	360	319
Total transactions with owners	-	-	-	-
At 29 January 2017	109	(512)	(431)	(834)

Statement of changes in equity

For the period ended 31 January 2016

	Called up share capital	Cash flow hedges	Profit and loss account	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 movement 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 13 to 27 form part of these financial statements.

Notes to the financial statements

For the period ended 29 January 2017

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 UK and the Republic of Ireland and the Companies Act 2006.

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

The preparation of financial statements in compliance with FRS¹102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement 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 29 January 2017 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.

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.

Notes to the financial statements

For the period ended 29 January 2017

2. Accounting policies (continued)

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.

Depreciation is provided on the following basis:

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 Statement of Comprehensive Income 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 Statement of Comprehensive Income 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.

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

Notes to the financial statements

For the period ended 29 January 2017

2. Accounting policies (continued)

2.9 Financial instruments (continued)

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 Statement of Comprehensive Income.

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 Profit and Loss date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position 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 Statement of financial position 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.

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 Statement of financial position 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 Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

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.

Notes to the financial statements

For the period ended 29 January 2017

2. Accounting policies (continued)

2.14 Holiday pay accrual

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

2.15 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.16 Borrowing costs

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

2.17 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 Statement of Comprehensive Income in the period that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position 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 Statement of financial position.

2.18 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 Statement of financial position date.

Notes to the financial statements

For the period ended 29 January 2017

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 Statement of financial position 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 29 January 2017

4. Turnover

	2017 £000	2016 £000
United Kingdom	3,431	3,507

All turnover relates to one class of business.

5. Operating profit

The operating profit is stated after charging:

	2017 £000	2016 £000
Depreciation of tangible fixed assets	340	341
Loss on disposal of tangible fixed assets	14	3

During the period, no director received any emoluments (2016: £Nil)

6. Auditor's remuneration

	2017 £000	2016 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	8	7

7. Employees

Staff costs were as follows:

	2017 £000	2016 £000
Wages and salaries	926	947
Social security costs	55	59
Cost of defined contribution scheme	4	6
	985	1,012

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

	2017 No.	2016 No.
Hotel Staff and Management	62	64

Notes to the financial statements

For the period ended 29 January 2017

8. Interest receivable

	2017 £000	2016 £000
Other interest receivable	2	1

9. Interest payable and similar charges

	2017 £000	2016 £000
Bank interest payable	179	146

10. Taxation

	2017 £000	2016 £000
Corporation tax		
Current tax on profits for the year	106	126
Total current tax	106	126
Deferred tax		
Origination and reversal of timing differences	38	10
Total deferred tax	38	10
Taxation on profit on ordinary activities	144	136

Notes to the financial statements

For the period ended 29 January 2017

10. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 20% (2016 - 20.18%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	504	663
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20.18%)	101	134
Effects of:		
Fixed asset differences	46	2
Group relief surrendered/(claimed)	(29)	-
Adjustments to tax charge in respect of prior periods - deferred tax	21	-
Rate differences	5	-
Total tax charge for the period	144	136

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £13k (2016: £(20k)).

Factors that may affect future tax charges

A number of changes to the UK Corporation tax system were announced in the March 2015 Budget Statement, and substantively enacted as part of the Finance Act (No.2) 2015 on 26 October 2015, with the main rate of corporation tax reduced from 20% to 19% from 1 April 2017 and from 19% to 18% from 1 April 2020. The Finance Act 2016, substantively enacted on 15 September 2016, further reduced the corporation tax rate to 17% from 1 April 2020 and the recognised deferred tax balances have been re-measured to 17%.

Notes to the financial statements

For the period ended 29 January 2017

11. Tangible fixed assets

	Freehold property £000	Fixtures & Fittings £000	Total £000
Cost or valuation			
At 1 February 2016	6,112	3,953	10,065
Additions	-	123	123
Disposals	-	(100)	(100)
At 29 January 2017	6,112	3,976	10,088
Depreciation			
At 1 February 2016	116	2,250	2,366
Charge for the period on owned assets	12	328	340
Disposals	-	(86)	(86)
At 29 January 2017	128	2,492	2,620
Net book value			
At 29 January 2017	5,984	1,484	7,468
At 31 January 2016	5,996	1,703	7,699

Included within the cost of £10,088k is interest incurred during the refurbishment of a property amounting to £106k (2016: £106k).

12. Stocks

	29 January 2017 £000	31 January 2016 £000
Finished goods and goods for resale	16	23

The value of goods purchased for resale and recognised in cost of sales during the period as an expense was £292k (2016: £306k).

Notes to the financial statements

For the period ended 29 January 2017

13. Debtors

	29 January 2017 £000	31 January 2016 £000
Trade debtors	86	68
Amounts owed by group undertakings	1,013	860
Prepayments and accrued income	57	39
Deferred taxation	140	192
	<u>1,296</u>	<u>1,159</u>

14. Cash and cash equivalents

	29 January 2017 £000	31 January 2016 £000
Cash at bank and in hand	1,058	867

15. Creditors: Amounts falling due within one year

	29 January 2017 £000	31 January 2016 £000
Bank loans	85	87
Trade creditors	84	67
Amounts owed to group undertakings	28	102
Corporation tax	44	74
Other taxation and social security	90	93
Other creditors	128	118
Accruals and deferred income	148	161
Financial instruments	-	76
	<u>607</u>	<u>778</u>

Notes to the financial statements

For the period ended 29 January 2017

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

	29 January 2017 £000	31 January 2016 £000
Bank loans	9,431	9,516
Financial instruments (after 1 yr)	634	607
	<u>10,065</u>	<u>10,123</u>

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 £9.5m, which mature during December 2021, bear interest at an overall rate of base rate plus 1%. Capital repayments during the period amounted to £87k (2016: £84k).

During the period a ladder swap arrangement which was put in place to protect against rate movements on the company's bank debt expired. This was fair valued at 31 January 2016 at £(76k) and held on the Statement of financial position. The movement in the fair value has been recognised in the Statement of comprehensive income for the period. The arrangement expired in May 2016.

The company entered into an interest swap agreement, which commenced in June 2016. The interest swap agreement has been fair valued at £(634)k at 29 January 2017 (2016: £(607)k). The Statement of financial position value of this instrument is £(634)k (2016: £(607)k). This instrument has been designated as a hedging instrument in a cash flow hedge.

Notes to the financial statements

For the period ended 29 January 2017

17. Loans

Analysis of the maturity of loans is given below:

	29 January 2017 £000	31 January 2016 £000
Amounts falling due within one year		
Bank loans	85	87
Amounts falling due 1-2 years		
Bank loans	85	88
Amounts falling due 2-5 years		
Bank loans	261	272
Amounts falling due after more than 5 years		
Bank loans	9,085	9,156

18. Capital repayment of loans

	29 January 2017 £000	31 January 2016 £000
Wholly repayable within 5 years		
By installments	431	447
Other than by installments	-	-
	431	447
Wholly repayable more than 5 years		
By installments	15	86
Other than by installments	9,070	9,070
	9,085	9,156

Notes to the financial statements

For the period ended 29 January 2017

19. Financial instruments

	29 January 2017 £000	31 January 2016 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	1,156	928
	<u>1,156</u>	<u>928</u>
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	(634)	(683)
Financial liabilities measured at amortised cost	(9,776)	(9,934)
	<u>(10,410)</u>	<u>(10,617)</u>

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 an interest rate swap valued at £(634)k (2016: £(607)k). 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 £(27k) (2016: (£98k)). 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.

Notes to the financial statements

For the period ended 29 January 2017

20. Deferred taxation

	2017 £000	2016 £000
At 31 January 2016	192	182
Charged to the profit or loss	(52)	(10)
Charged to other comprehensive income	-	20
At 29 January 2017	140	192

The deferred tax asset is made up as follows:

	29 January 2017 £000	31 January 2016 £000
Accelerated capital allowances	138	55
Deferred tax on hedging instruments	-	137
Short term timing differences	2	-
	140	192

21. 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.

22. Share capital

	29 January 2017 £000	31 January 2016 £000
Shares classified as equity		
Authorised, allotted, called up and fully paid		
109,100 Ordinary Shares shares of £1 each	109	109

Notes to the financial statements

For the period ended 29 January 2017

23. 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 29 January 2017, in respect of indebtedness of these companies to Bank of Scotland. The total indebtedness at 29 January 2017 with Bank of Scotland was £18.8m (2016: £19.7m), including the company's own bank loans of £9.5m (2016: £9.6m).

24. Capital commitments

The directors have confirmed that there were no capital commitments at 29 January 2017 or 31 January 2016.

25. Related party transactions

The company was owed £1,013k by other group companies at 29 January 2017 (2016: £860k). The company owed £28k to other group companies at 29 January 2017 (2016: £102k). During the period, the company paid £246k (2016: £333k) to a fellow subsidiary in respect of management services provided to it during the period.

26. Controlling party

The ultimate and immediate parent entity is Etchecan Limited ("Etchecan"), a company registered in Scotland, by virtue of its 100% shareholding.

The largest and smallest group into which the results of the company are consolidated is that headed by the immediate parent company.

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