

Company Registration No. 02295962 (England and Wales)

THE MOUNT SOMERSET HOTEL & SPA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020



THE MOUNT SOMERSET HOTEL & SPA LIMITED

COMPANY INFORMATION

Directors	Mr D G Buck Mr M E S Chambers	(Appointed 30 July 2020) (Appointed 30 July 2020)
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Company number	02295962
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Registered office	Mallory Court Hotel Harbury Lane Bishops Tachbrook Leamington Spa Warwickshire CV33 9QB
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Auditor	Ormerod Rutter Limited The Oakley Kidderminster Road Droitwich Worcestershire WR9 9AY
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THE MOUNT SOMERSET HOTEL & SPA LIMITED

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THE MOUNT SOMERSET HOTEL & SPA LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present their annual report and financial statements for the year ended 31 March 2020.

Principal activities

The principal activity of the company is the ownership, operation and management of the Mount Somerset Hotel & Spa. The Mount Somerset Hotel is a 19 bedroom Regency country house hotel set in 4 acres of grounds in Taunton, Somerset.

Review of business

The Company is a subsidiary of Eden Hotel Collection ("EHC"), a group consisting of a portfolio of nine luxury sites across the Midlands, Cotswolds & South West, with a total of 254 hotel bedrooms and 22 three bedroom lodges.

- Bovey Castle Estate, Dartmoor
- Mallory Court Country House Hotel & Spa, Royal Leamington Spa
- Arden Hotel, Stratford-upon-Avon
- Arden House - Stratford-upon-Avon
- Brockencote Hall, Chaddesley Corbett
- The Greenway Hotel & Spa, Cheltenham
- The Mount Somerset Hotel & Spa, Near Taunton (*discontinuing FY21*)
- The Kings Hotel - Chipping Campden (*discontinuing FY21*)
- Buckland Tout-Saints – Kingsbridge (*discontinuing FY21*)

Multi award winning, EHC is widely recognised as one of UK's Top 5 privately owned group of luxury boutique hotel operators. The collection sits in the traditional hotels sector and dominates the 4 & 5 red star market. EHC operates within the non-branded core hotel, restaurant and spa space with notable affiliates being Small Luxury Hotels of the World, Pride of Britain and Relais & Chateaux. The business operates across the leisure, corporate, M&E markets and, without exception, ranks in local and regional territories as 'best in class'. A leading operator of weddings, both local and destination, makes the group a stand out performer in this space, whilst excellence around food is a cornerstone of the business, as is the luxury spa brand 'Elan' which during the year operated at 4 key locations.

The Spa Academy saw its first graduates in the year and was expanded for its second year intake with level 2 in addition to level 1, such has been the positive impact of the program. Commitment to Learning & Development was also shown with the introduction of 'Flow' online training platform to provide increased delivery of a wide range of opportunities to staff as well as enhance communication. During the year a strategic review led EHC to determine to seek to divest 3 hotel properties, but the year was ultimately dominated by the onset of Covid 19 and mandatory cessation of all operations during March 2020 which has had an obvious negative effect on revenues and profits, which continues throughout 2020.

EHC is a subsidiary of Rigby Group (RG) plc ("Rigby Group"). Rigby Group is the parent company for a portfolio of family-owned and highly successful businesses operating across Europe. Diversifying from its origins as a principally technology-led business, Rigby Group has evolved across the last 45 years - through smart, strategic acquisitions - into a British success story with over 8,000 employees. Rigby Group comprises eight divisions including Technology, Airports, Hotels, Real Estate, Aviation and Finance. Rigby Group is a values-led business built around three core principles: foresight, working hard and enabling others. Further information is available at www.rigbygroupplc.com.

THE MOUNT SOMERSET HOTEL & SPA LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Review of business

During the year the directors decided to actively seek to sell the Mount Somerset Hotel as a going concern. Enforced closure of the hotel by Government mandate in March 2020 as a result of Covid 19 led the directors to decide, post balance sheet date, not to reopen the property for trading. The physical asset of the hotel was sold in October 2020 for £1.88m.

The company saw turnover decrease by £15,000 to £1,496,000 in 2020 with loss before taxation increased by £841,000 to a loss of £1,077,000. This increase was the result of an £830,000 impairment of the asset to account for the sale value

The directors anticipate that the company will become dormant.

As at 31st March 2020 the company had net assets of £978,000, a decrease of £1,018,000 from the prior year end.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Sir P Rigby	(Resigned 30 July 2020)
Mr D G Buck	(Appointed 30 July 2020)
Mr M E S Chambers	(Appointed 30 July 2020)

Principal risks and uncertainties

The company uses various financial instruments. These include loans from related undertakings; cash and overdrafts; preference shares; loans from banks and various working capital items such as trade debtors and trade creditors which arise from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks, the principal ones of which are market risk, interest rate risk, liquidity risk and credit risk. The principal commercial risks facing the company centre on economic conditions, competition and property valuations.

Market risk

Property values are cyclical, so the business will always be subject to variations in valuations. The company takes a long term view, with less focus on short term fluctuations, and more emphasis on underlying revenue generation and capital enhancement programmes when assessing valuations of properties.

Interest rate risk and financing risk

The company finances its operations primarily through investments made by related parties, including preference shares held by the principal shareholder and preferred ordinary shares held by Rigby Group (RG) plc ("Rigby Group").

In addition, there are short term banking facilities including a bank loan secured over the freehold property of Bovey Castle owned by the group. The company's exposure to interest rate fluctuations on its borrowings is managed actively to ensure that competitive rates are obtained, matched to the company's long term funding requirements. As part of its bank facilities, the company is subject to a number of financial covenant tests which it monitors on a regular basis.

THE MOUNT SOMERSET HOTEL & SPA LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Liquidity risk

The company seeks to manage financial risks by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The company's operations are financed primarily by shareholders and bank borrowings.

Credit risk

The company's principal credit risk relates to the recovery of trade debtors, although it is not considered significant due to the nature of the company's business. Amounts owed by credit card companies represent a more significant proportion of the company's trade debtors. However, the directors consider credit risk to be limited due to the terms that the company has with the credit card companies. In order to manage credit risk related to other trade debtors, credit controllers and the directors review the aged debtors and collection history on a regular basis, and a high level of deposits are taken.

Economic conditions

The division operates in an industry which is impacted by consumer discretionary spending levels. The division's coverage, not being concentrated in one location or region together with the fact that the hotels operate in a variety of markets, including corporate, leisure, conference and functions, provides adequate sheltering from the impact of any drop in consumer spending levels.

Competition

The division operates in competitive markets. Product and service offerings by competitors could adversely impact the division. The division's focus on quality and standards, the quality of operations, strong focus on quality on cost control, continual investment in its hotels and products, combined with the unique, award winning hotels in sought after locations reduces the possible effect of any single competitor. Significant efforts are made to develop the division's brand and ensure new business is won continually, and key customer relationships are monitored on a regular basis. The division focuses on areas where it has a competitive advantage including quality, and the development of its staff to provide high levels of service.

Auditor

The auditors, Ormerod Rutter Limited, will be proposed for re-appointment in accordance with Section 487 (2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 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 MOUNT SOMERSET HOTEL & SPA LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Strategic report exemption

The company has taken advantage of the small companies exemption not to prepare a strategic report in accordance with Part 15 of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

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Mr M E S Chambers

Director

31/12/20

THE MOUNT SOMERSET HOTEL & SPA LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF THE MOUNT SOMERSET HOTEL & SPA LIMITED

Opinion

We have audited the financial statements of The Mount Somerset Hotel & Spa Limited (the 'company') for the year ended 31 March 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to note 19 which explains that the company ceased to trade post year end and the physical asset of the hotel was sold in October 2020, and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly the financial statements have been prepared on a basis other than going concern as described in note 1.2. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

THE MOUNT SOMERSET HOTEL & SPA LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF THE MOUNT SOMERSET HOTEL & SPA LIMITED

Matters on which we are required to report by exception

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

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's member 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 member 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 member for our audit work, for this report, or for the opinions we have formed.

Ormerod Rutter

Colm McGrory FCA (Senior Statutory Auditor)
for and on behalf of Ormerod Rutter Limited

7/12/20

Chartered Accountants
Statutory Auditor

The Oakley
Kidderminster Road
Droitwich
Worcestershire
WR9 9AY

THE MOUNT SOMERSET HOTEL & SPA LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

		2020 £	2019 £
	Notes		
Turnover	3	1,495,810	1,510,942
Cost of sales		(1,151,361)	(1,130,484)
Gross profit		344,449	380,458
Administrative expenses		(590,812)	(616,050)
Impairment of fixed assets	4	(830,427)	-
Loss before taxation		(1,076,790)	(235,592)
Tax on loss	9	58,352	38,993
Loss for the financial year		(1,018,438)	(196,599)

THE MOUNT SOMERSET HOTEL & SPA LIMITED

BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Tangible assets	10	1,820,000		2,693,770	
Current assets					
Stocks	11	13,918		17,548	
Debtors	12	118,489		164,258	
Cash at bank and in hand		-		1,050	
		132,407		182,856	
Creditors: amounts falling due within one year	13	(974,422)		(876,395)	
Net current liabilities		(842,015)		(693,539)	
Total assets less current liabilities		977,985		2,000,231	
Provisions for liabilities	15	-		(3,808)	
Net assets		977,985		1,996,423	
Capital and reserves					
Called up share capital	18	2,500,100		2,500,100	
Profit and loss reserves		(1,522,115)		(503,677)	
Total equity		977,985		1,996,423	

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 31/12/20 and are signed on its behalf by:

Mr M E S Chambers
Director

Company Registration No. 02295962

THE MOUNT SOMERSET HOTEL & SPA LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 April 2018	2,500,100	(307,078)	2,193,022
Year ended 31 March 2019:			
Loss and total comprehensive income for the year	-	(196,599)	(196,599)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2019	2,500,100	(503,677)	1,996,423
Year ended 31 March 2020:			
Loss and total comprehensive income for the year	-	(1,018,438)	(1,018,438)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2020	<u>2,500,100</u>	<u>(1,522,115)</u>	<u>977,985</u>

THE MOUNT SOMERSET HOTEL & SPA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

Company information

The Mount Somerset Hotel & Spa Limited is a private company limited by shares incorporated in England and Wales under Companies Act 2006.

The registered office is Mallory Court Hotel, Harbury Lane, Bishops Tachbrook, Leamington Spa, Warwickshire, United Kingdom, CV33 9QB.

The principal place of business is The Mount Somerset Hotel & Spa, Lower Henlade, Taunton, Somerset, TA3 5NB.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The functional currency of The Mount Somerset Hotel & Spa Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The Mount Somerset Hotel And Spa Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to related party transactions with wholly owned group companies, share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

The financial statements of the company are consolidated in the financial statements of Eden Hotel Collection Limited. These consolidated financial statements are available from its registered office, Harbury Lane, Bishops Tachbrook, Leamington Spa, Warwickshire, CV33 9QB.

1.2 Going concern

Due to enforced closure of the hotel by Government mandate in March 2020 as a result of Covid 19, the directors made the decision post year end not to reopen the property for trading. The financial statements have therefore been prepared on a basis other than that of the going concern basis. The basis includes, where applicable, writing the company's assets down to net realisable value. Provisions have also been made in respect of contracts which have become onerous at the reporting date. No provision has been made for future costs of terminating the business unless such costs were committed at the reporting date.

1.3 Turnover

Revenue is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer.

Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

THE MOUNT SOMERSET HOTEL & SPA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings:

- | | |
|------------------------|------------------------|
| - Land | - not depreciated |
| - Structural buildings | - over up to 200 years |
| - Ancillary buildings | - over up to 50 years |

Fixtures and equipment:

- | | |
|----------------------|---------------------------|
| - Fixtures | - over up to 10 years |
| - Furniture | - over up to 5 years |
| - Plant | - over up to 10 years |
| - Small equipment | - over over up 5 years |
| - Computer equipment | - over over up to 4 years |

Motor vehicles - over up to 4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Assets under construction represents on-going construction costs of freehold buildings and fixtures and fittings not yet completed. Such costs will be transferred to either freehold buildings or fixtures and fittings upon completion. Assets under construction are not depreciated as they are not available for use until they have been completed.

On transition to FRS 102, in accordance with Section 35 of FRS 102, the company elected to measure items of property, plant and equipment on the date of transition to this FRS at its fair value and use that fair value as its deemed cost at that date.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

THE MOUNT SOMERSET HOTEL & SPA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

1.6 Stocks

Stocks held for resale are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

THE MOUNT SOMERSET HOTEL & SPA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- a. The contractual return to the holder is:
 - i. a fixed amount;
 - ii. a positive fixed rate or a positive variable rate; or
 - iii. a combination of a positive or a negative fixed rate and a positive variable rate.
- b. The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- c. The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that:
 - i. the new rate satisfies condition (a) and the variation is not contingent on future events other than:
 1. a change of a contractual variable rate;
 2. to protect the holder against credit deterioration of the issuer;
 3. changes in levies applied by a central bank or arising from changes in relevant taxation or law; or
 - ii. the new rate is a market rate of interest and satisfies condition (a).
- d. There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- e. Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- f. Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when:

- a. the contractual rights to the cash flows from the financial asset expire or are settled;
- b. the group transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- c. the group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

THE MOUNT SOMERSET HOTEL & SPA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, 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 liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

THE MOUNT SOMERSET HOTEL & SPA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

1.11 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

1.12 Retirement benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2 Judgements 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 amount 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 to be 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Depreciation of tangible fixed assets

The carrying value of tangible fixed assets is dependent on both the annual depreciation charge and any provisions for impairment.

The annual depreciation charge for tangible fixed assets is sensitive to changes in useful economic lives, which are reassessed annually, is based on physical condition, economic utilisation, schedule of repairs and renovation and, where relevant, technical advancements.

Management perform an annual assessment for impairment on tangible fixed assets, which includes consideration of the current estimation of the market value of the hotel as a whole, the economic utilisation of individually material assets and the feasibility of completing ongoing capital projects whose costs are held within assets under construction at the year end.

The accounting policies for depreciation of tangible fixed assets can be found in note 1 and the carrying value of tangible fixed assets can be found in note 10.

THE MOUNT SOMERSET HOTEL & SPA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3 Turnover

	2020 £	2019 £
Sale of goods	762,615	772,995
Rendering of service	733,195	737,947
	<u>1,495,810</u>	<u>1,510,942</u>

4 Exceptional item

	2020 £	2019 £
Expenditure		
Impairment of fixed assets	<u>830,427</u>	<u>-</u>

Exceptional items in the current year relate to an impairment of freehold property and fixtures and fittings held by the company following the sale of the physical asset of the hotel post year end.

5 Operating loss

	2020 £	2019 £
Operating loss for the year is stated after charging:		
Depreciation of owned tangible fixed assets	33,473	31,440
Impairment of owned tangible fixed assets	830,427	-
(Profit)/loss on disposal of tangible fixed assets	<u>-</u>	<u>6,150</u>

6 Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	<u>3,439</u>	<u>3,697</u>

7 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020 Number	2019 Number
Hotel staff	<u>43</u>	<u>41</u>

THE MOUNT SOMERSET HOTEL & SPA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

7 Employees

(Continued)

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	747,370	742,755
Social security costs	60,477	53,171
Pension costs	12,645	7,518
	<u>820,492</u>	<u>803,444</u>

8 Directors' remuneration

Sir Peter Rigby who resigned as director after the year end, did not receive any remuneration for his qualifying services to the company during the year. The total emoluments for Sir Peter Rigby are included in the directors' emoluments of Rigby Group (RG) plc.

9 Taxation

	2020 £	2019 £
Current tax		
Group relief compensation	(40,981)	(35,901)
Adjustments to prior period group relief compensation	(4,253)	(285)
Total current tax	<u>(45,234)</u>	<u>(36,186)</u>
Deferred tax		
Origination and reversal of timing differences	(14,304)	(2,767)
Changes in tax rates	526	291
Adjustment in respect of prior periods	660	(331)
Total deferred tax	<u>(13,118)</u>	<u>(2,807)</u>
Total tax credit	<u>(58,352)</u>	<u>(38,993)</u>

THE MOUNT SOMERSET HOTEL & SPA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

9 Taxation

(Continued)

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2020 £	2019 £
Loss before taxation	(1,076,790)	(235,592)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(204,590)	(44,762)
Tax effect of expenses that are not deductible in determining taxable profit	149,303	6,094
Under/(over) provided in prior years	(3,593)	(616)
Effect of corporation tax rate change on deferred tax	526	291
Rounding	2	-
Taxation credit for the year	(58,352)	(38,993)

Deferred tax

The standard rate of Corporation Tax in the UK is 19% with effect from 1 April 2017.

The Finance Act 2016 includes a reduction in the standard rate of Corporation Tax from 19% to 17% from 1 April 2020. However, on 11 March 2020 in the UK Budget it was further announced that the cut in the tax rate to 17% will now not occur and the tax rate will instead remain at 19%. This rate change was substantively enacted on 17 March 2020 via the Provisional Collection of Taxes Act 1968. As this change had been substantively enacted at the Balance Sheet date it is reflected in these financial statements.

THE MOUNT SOMERSET HOTEL & SPA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

10 Tangible fixed assets

	Freehold land and buildings £	Assets under construction £	Fixtures and fittings £	Total £
Cost				
At 1 April 2019	2,380,237	285,429	144,457	2,810,123
Additions	-	9,830	-	9,830
Disposals	-	(17,643)	(7,506)	(25,149)
Transfers	213,232	(232,291)	19,059	-
At 31 March 2020	2,593,469	45,325	156,010	2,794,804
Depreciation and impairment				
At 1 April 2019	50,349	-	66,004	116,353
Depreciation charged in the year	12,533	-	20,940	33,473
Impairment losses	759,548	-	70,879	830,427
Eliminated in respect of disposals	-	-	(5,449)	(5,449)
At 31 March 2020	822,430	-	152,374	974,804
Carrying amount				
At 31 March 2020	1,771,039	45,325	3,636	1,820,000
At 31 March 2019	2,329,888	285,429	78,453	2,693,770

More information on impairment movements in the year is given in note 4.

Included in cost of freehold land and buildings is freehold land of £948,600 (2019 - £948,600) which is not depreciated.

11 Stocks

	2020 £	2019 £
Finished goods and goods for resale	13,918	17,548

THE MOUNT SOMERSET HOTEL & SPA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

12 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	16,776	76,948
Amounts owed by group undertakings	357	-
Other debtors	85,810	76,459
Prepayments and accrued income	6,236	10,851
	<u>109,179</u>	<u>164,258</u>
Deferred tax asset (note 16)	9,310	-
	<u>118,489</u>	<u>164,258</u>

13 Creditors: amounts falling due within one year

	Notes	2020 £	2019 £
Bank loans and overdrafts	14	105,505	204,915
Payments received on account		74,645	81,322
Trade creditors		67,392	86,897
Amounts due to group undertakings		628,780	399,051
Other taxation and social security		41,629	53,614
Other creditors		37,145	12,677
Accruals and deferred income		19,326	37,919
		<u>974,422</u>	<u>876,395</u>

14 Loans and overdrafts

	2020 £	2019 £
Bank overdrafts	<u>105,505</u>	<u>204,915</u>
Payable within one year	<u>105,505</u>	<u>204,915</u>

The company is party to an unlimited intercompany guarantee securing all amounts due to the National Westminster Bank Plc from Eden Hotel Collection Limited and all its subsidiaries.

At the year end amounts owed to National Westminster Bank Plc by the group were £238,882 (2019: £165,768) from Buckland Tout-Saints Hotel Limited, £10,602 (2019: £nil) from The Kings Hotel (Chipping Campden) Limited, £39,019 (2019: £27,639) from EHC Estates Limited, £20,687 (2019: £nil) from Mallory Court Hotel Limited, £79,044 (2019: £nil) from Arden Hotel Investments Limited and £8,489,073 (2019: £8,500,000) from Bovey Castle Property Limited.

THE MOUNT SOMERSET HOTEL & SPA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

15 Provisions for liabilities

	Notes	2020 £	2019 £
Deferred tax liabilities	16	-	3,808

16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	2020 £	2019 £	2020 £	2019 £
Deferred tax liabilities/(assets):				
Accelerated capital allowances	-	6,428	9,146	-
Short term timing differences	-	(2,620)	164	-
	-	3,808	9,310	-

	2020 £
Movements in the year:	
Liability (net of assets) at 1 April 2019	3,808
Credit to profit or loss	(13,778)
Adjustment in respect of prior years	660
Liability/(Asset) at 31 March 2020	(9,310)

The deferred tax assets and liabilities will reverse over the following periods:

	2020 £	2019 £
Deferred tax (assets)		
Recoverable within one year	(9,310)	(2,619)
	(9,310)	(2,619)

	2020 £	2019 £
Deferred tax liabilities		
After more than one year	-	6,428
	-	6,428

THE MOUNT SOMERSET HOTEL & SPA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

17 Retirement benefit schemes

	2020	2019
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	12,645	7,518

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

18 Share capital

	2020	2019
Ordinary share capital Issued and fully paid	£	£
2,500,100 Ordinary shares of £1 each	2,500,100	2,500,100

19 Events after the reporting date

Enforced closure of the hotel by Government mandate in March 2020 as a result of Covid 19 led the directors to decide post year end not to reopen the property for trading.

Redundancy costs were incurred after the year end amounting to £85,552. These costs were not committed at the balance sheet date.

The physical asset of the hotel was sold in October 2020 for £1.88m.

20 Ultimate controlling party

Rigby Group (RG) plc is regarded by the director as being the company's ultimate parent company.

Sir Peter Rigby, a director of Rigby Group (RG) plc, controlled the company as a result of holding 84.54% of the issued ordinary share capital and 100% of the voting share capital of Rigby Group (RG) plc, the ultimate parent undertaking.

The registered office address of Rigby Group (RG) plc continues to be Bridgeway House, Bridgeway, Stratford-upon-Avon, Warwickshire, CV37 6YX.

Rigby Group (RG) plc continues to be the largest group to consolidate and prepare consolidated accounts.

Eden Hotel Collection Limited, the immediate parent company is the smallest group to consolidate these financial statements.

The consolidated statements for both Rigby Group (RG) plc and Eden Hotel Collection Limited are available at the above address.