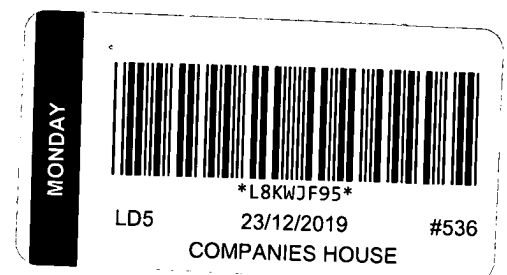


Company Registration No. 05400112 (England and Wales)

CITY AND COUNTRY HOTELS LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019



CITY AND COUNTRY HOTELS LTD

COMPANY INFORMATION

| | |
|--------------------------|--|
| Directors | K.M. Affara T. Affara |
| Company number | 05400112 |
| Registered office | 11 Berkeley Street London W1J 8DS |
| Auditor | Higgisons Higgison House 381-383 City Road London EC1V 1NW |

CITY AND COUNTRY HOTELS LTD

CONTENTS

| | Page |
|---------------------------------------|-------------|
| Strategic report | 1 - 2 |
| Directors' report | 3 |
| Directors' responsibilities statement | 4 |
| Independent auditor's report | 5 - 6 |
| Income statement | 7 |
| Statement of comprehensive income | 8 |
| Statement of financial position | 9 |
| Statement of changes in equity | 10 |
| Statement of cash flows | 11 |
| Notes to the financial statements | 12 - 19 |

CITY AND COUNTRY HOTELS LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present the strategic report for the year ended 31 March 2019.

Fair review of the business

City and Country Hotels is an expanding UK hotel group, currently operating five UK properties.

We have a Boutique 4* hotel in Marylebone, a Luxury 5* hotel in Knightsbridge, a modern City Centre 60 bedroom hotel in Cardiff, and a 60 bedroom Country House Hotel in the Cotswolds.

Our 5th property, The Langley, a grade 2 listed mansion, and the former hunting lodge of the Duke of Marlborough opened on the 1st June 2019.

The Langley Hotel and Spa has grounds originally designed by Capability Brown, and has a 22,000 foot square spa and gym. Like The Wellesley, The Langley is part of Starwood's Luxury Collection.

Our two London Hotels, The Wellesley and Ten Manchester Street continue to perform exceedingly well, with Wellesley showing an increase in ADR of in excess of £23 year on year, and Ten a £10 increase. This resulted in an increase in rooms revenue of £226,000 for these two properties alone.

The Royal Hotel in Cardiff, with it's close proximity to the Principality Stadium is a popular choice for those attending events at the stadium or nearby arena, and continues to run at very high occupancy levels.

Wyck Hill in the Cotswolds is predominantly a leisure hotel, attracting both UK and inbound tourism.

CITY AND COUNTRY HOTELS LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

Principal risks and uncertainties

Risk: Staff Recruitment and Retention.

Mitigation: Brexit has undoubtedly had a negative impact on staff recruitment and retention within the Hospitality sector, and will continue to do so for the next 12 months, resulting in increased payroll costs and increased agency reliance.

We have proactively addressing this problem by offering more competitive salaries, more flexible shift patterns, recruitment incentives and attractive staff benefits, and have since seen a marked reduction in Agency reliance, and an increase in both recruitment and retention levels.

Controlling costs and working to agreed key performance indicators , and improvements in efficiencies by sharing best working practices across the hotels are ongoing.

Risk: UK Terrorism threats has an impact on London Hotel trading.

Mitigation: This threat has historically had a short term but noticeable effect on trading. Since Joining The Marriott Luxury Collection, we have seen an overall increase in occupancy levels driven by a wider international market at The Wellesley Hotel.

Risk : Uncertain Economic Climate may have an adverse effect on trading.

Mitigation: Our London hotels, having a large international business pool, continue to trade well, with revenues consistently up year on year. The weak pound continues to drive high levels of leisure business into our properties, particularly into our Cotswold property. A strengthening of the pound could have an adverse impact on inbound leisure business.


Risk: Reputational damage due to Health and Safety failures.

Mitigation : City and Country Hotels has a robust Health and Safety policy, with working practices monitored by a professional external source, who also carry out unannounced audits. The company also invests in training to ensure that it's staff are aware of health and safety requirements, and are aware of the correct procedures regarding the storage, handling and preparation of food.

Risk: Cyber Attack , breakdown in IT infrastructure, Data Breach.

Mitigation: The company invests heavily in IT systems, and recognises the need for continued investment in order to not only retain a competitive edge, but also to protect against virus or cyber attack. The company works with various IT professionals and industry leaders to protect its systems and stored data from attack, and also to ensure that we has the necessary backup and redundancy in place.

On behalf of the board



K.M. Affara

Director

20 December 2019

CITY AND COUNTRY HOTELS LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report and financial statements for the year ended 31 March 2019.

Principal activities

The principal activity of the company continued to be the provision of hotel services.

Directors

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

K.M. Affara

T. Affara

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Auditor

The auditor, Higgisons, is deemed to be reappointed under section 487(2) 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.

On behalf of the board



K.M. Affara

Director

Date: 20 December 2019

CITY AND COUNTRY HOTELS LTD

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

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.

CITY AND COUNTRY HOTELS LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CITY AND COUNTRY HOTELS LTD

Opinion

We have audited the financial statements of City and Country Hotels Ltd (the 'company') for the year ended 31 March 2019 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement Of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows 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 2019 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

CITY AND COUNTRY HOTELS LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CITY AND COUNTRY HOTELS LTD

Matters on which we are required to report by exception

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

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.



Ian Shillinglaw (Senior Statutory Auditor)
for and on behalf of Higgisons

20 January 2019
.....

Chartered Accountants
Statutory Auditor

Higgison House
381-383 City Road
London
EC1V 1NW

CITY AND COUNTRY HOTELS LTD

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

| | Notes | 2019 £ | 2018 £ |
|---|-------|------------------------|---------------------|
| Turnover | | 14,904,356 | 14,898,072 |
| Cost of sales | | (9,121,852) | (9,331,829) |
| Gross profit | | <u>5,782,504</u> | <u>5,566,243</u> |
| Administrative expenses | | (5,865,949) | (5,559,059) |
| (Loss)/profit before taxation | | <u>(83,445)</u> | <u>7,184</u> |
| Tax on loss/profit | 5 | - | - |
| (Loss)/profit for the financial year | | <u><u>(83,445)</u></u> | <u><u>7,184</u></u> |

The Income Statement has been prepared on the basis that all operations are continuing operations.

CITY AND COUNTRY HOTELS LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

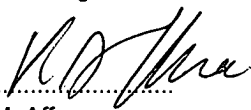
| | 2019 £ | 2018 £ |
|---|-----------------|--------------|
| (Loss)/profit for the year | (83,445) | 7,184 |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | <u>(83,445)</u> | <u>7,184</u> |

CITY AND COUNTRY HOTELS LTD

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

| | Notes | 2019 £ | £ | 2018 £ | £ |
|---|-------|-------------|-----------|-------------|-----------|
| Fixed assets | | | | | |
| Tangible assets | 6 | | 444,894 | | 273,202 |
| Current assets | | | | | |
| Stocks | 7 | 1,839,082 | | 1,488,135 | |
| Debtors | 8 | 2,011,611 | | 1,764,162 | |
| Cash at bank and in hand | | 341,470 | | 393,764 | |
| | | 4,192,163 | | 3,646,061 | |
| Creditors: amounts falling due within one year | 9 | (5,126,564) | | (4,325,325) | |
| Net current liabilities | | | (934,401) | | (679,264) |
| Total assets less current liabilities | | | (489,507) | | (406,062) |
| Capital and reserves | | | | | |
| Called up share capital | 12 | | 2 | | 2 |
| Profit and loss reserves | | | (489,509) | | (406,064) |
| Total equity | | | (489,507) | | (406,062) |

The financial statements were approved by the board of directors and authorised for issue on 20 December 2019 and are signed on its behalf by:



K.M. Affara
Director

Company Registration No. 05400112

CITY AND COUNTRY HOTELS LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

| | Notes | Share capital £ | Profit and loss reserves £ | Total £ |
|--|-------|-----------------------|-------------------------------------|-------------|
| Balance at 1 April 2017 | | 2 | (413,248) | (413,246) |
| Year ended 31 March 2018: | | | | |
| Profit and total comprehensive income for the year | | - | 7,184 | 7,184 |
| | | <hr/> | <hr/> | <hr/> |
| Balance at 31 March 2018 | | 2 | (406,064) | (406,062) |
| Year ended 31 March 2019: | | | | |
| Loss and total comprehensive income for the year | | - | (83,445) | (83,445) |
| | | <hr/> | <hr/> | <hr/> |
| Balance at 31 March 2019 | | 2 | (489,509) | (489,507) |
| | | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

CITY AND COUNTRY HOTELS LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

| | Notes | 2019 £ | £ | 2018 £ | £ |
|---|-------|-----------|-----------|-----------|-----------|
| Cash flows from operating activities | | | | | |
| Cash generated from operations | 15 | | 603,529 | | 149,521 |
| Investing activities | | | | | |
| Purchase of tangible fixed assets | | (278,375) | | (182,669) | |
| Net cash used in investing activities | | | (278,375) | | (182,669) |
| Net cash used in financing activities | | | - | | - |
| Net increase/(decrease) in cash and cash equivalents | | | 325,154 | | (33,148) |
| Cash and cash equivalents at beginning of year | | | 8,113 | | 41,260 |
| Cash and cash equivalents at end of year | | | 333,269 | | 8,113 |
| Relating to: | | | | | |
| Cash at bank and in hand | | | 341,470 | | 393,764 |
| Bank overdrafts included in creditors payable within one year | | | (8,201) | | (385,651) |

CITY AND COUNTRY HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

Company information

City and Country Hotels Ltd is a private company limited by shares incorporated in England and Wales. The registered office is 11 Berkeley Street, London, W1J 8DS.

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 financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the balance sheet date the company's liabilities exceeded its assets by £489,507. However the Directors believe that the company's trading results will improve and in the meantime it will continue to receive the support of its creditors. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from a withdrawal of this support.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

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.

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:

| | |
|--------------------------------|----------------------|
| Fixtures, fittings & equipment | 20% reducing balance |
| Plant and machinery | 33.3% straight line |

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.

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.

CITY AND COUNTRY HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

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.

1.6 Stocks

Stock is valued at the lower of cost and net realisable value.

1.7 Cash at bank and in hand

Cash at bank and in hand 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

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

CITY AND COUNTRY HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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 company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

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

CITY AND COUNTRY HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

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

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

CITY AND COUNTRY HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

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.

3 Operating (loss)/profit

| | 2019 £ | 2018 £ |
|---|-----------|-----------|
| Operating (loss)/profit for the year is stated after charging/(crediting): | | |
| Exchange gains | - | (2,489) |
| Research and development costs | 31,792 | 35,061 |
| Fees payable to the company's auditor for the audit of the company's financial statements | 8,000 | 8,000 |
| Depreciation of owned tangible fixed assets | 106,681 | 94,397 |
| Cost of stocks recognised as an expense | 7,243,002 | 7,350,066 |
| Operating lease charges | 2,444,678 | 2,390,110 |

4 Employees

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

| | 2019 Number | 2018 Number |
|---------------------|----------------|----------------|
| Number of employees | 270 | 220 |

| | 2019 £ | 2018 £ |
|-----------------------|-----------|-----------|
| Wages and salaries | 1,483,509 | 1,497,234 |
| Social security costs | 455,573 | 448,357 |
| Pension costs | 47,818 | 27,077 |
| | 1,986,900 | 1,972,668 |

CITY AND COUNTRY HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

5 Taxation

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

| | 2019 £ | 2018 £ |
|---|-----------|-----------|
| (Loss)/profit before taxation | (83,445) | 7,184 |
| Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%) | (15,855) | 1,365 |
| Other tax adjustments | 15,855 | (1,365) |
| Taxation charge for the year | - | - |

6 Tangible fixed assets

| | Fixtures, fittings & equipment £ | Plant and machinery £ | Total £ |
|------------------------------------|---|-----------------------------|------------|
| Cost | | | |
| At 1 April 2018 | 511,963 | 310,829 | 822,792 |
| Additions | 95,924 | 182,451 | 278,375 |
| Disposals | - | (477) | (477) |
| At 31 March 2019 | 607,887 | 492,803 | 1,100,690 |
| Depreciation and impairment | | | |
| At 1 April 2018 | 349,218 | 200,374 | 549,592 |
| Depreciation charged in the year | 38,808 | 67,873 | 106,681 |
| Eliminated in respect of disposals | - | (477) | (477) |
| At 31 March 2019 | 388,026 | 267,770 | 655,796 |
| Carrying amount | | | |
| At 31 March 2019 | 219,861 | 225,033 | 444,894 |
| At 31 March 2018 | 162,746 | 110,456 | 273,202 |

7 Stocks

| | 2019 £ | 2018 £ |
|-------------------------------|-----------|-----------|
| Raw materials and consumables | 1,839,082 | 1,488,135 |

CITY AND COUNTRY HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

8 Debtors

| | 2019 £ | 2018 £ |
|---|------------------|------------------|
| Amounts falling due within one year: | | |
| Trade debtors | 584,524 | 607,782 |
| Other debtors | 1,667 | 1,776 |
| Prepayments and accrued income | 1,425,420 | 1,154,604 |
| | <u>2,011,611</u> | <u>1,764,162</u> |

9 Creditors: amounts falling due within one year

| | Notes | 2019 £ | 2018 £ |
|------------------------------------|-------|------------------|------------------|
| Bank loans and overdrafts | 10 | 8,201 | 385,651 |
| Trade creditors | | 3,988,509 | 3,046,240 |
| Other taxation and social security | | 591,819 | 478,655 |
| Other creditors | | 45,768 | 5,804 |
| Accruals and deferred income | | 492,267 | 408,975 |
| | | <u>5,126,564</u> | <u>4,325,325</u> |

10 Loans and overdrafts

| | 2019 £ | 2018 £ |
|-------------------------|--------------|----------------|
| Bank overdrafts | 8,201 | 385,651 |
| | <u>8,201</u> | <u>385,651</u> |
| Payable within one year | 8,201 | 385,651 |
| | <u>8,201</u> | <u>385,651</u> |

11 Retirement benefit schemes

| | 2019 £ | 2018 £ |
|---|---------------|---------------|
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | 47,818 | 27,077 |
| | <u>47,818</u> | <u>27,077</u> |

CITY AND COUNTRY HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

12 Share capital

| | 2019 £ | 2018 £ |
|----------------------------------|-----------|-----------|
| Ordinary share capital | | |
| Authorised | | |
| 1,000 Ordinary shares of £1 each | 1,000 | 1,000 |
| Issued and fully paid | | |
| 2 Ordinary shares of £1 each | 2 | 2 |

13 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2019 £ | 2018 £ |
|-------------------------------|-----------|-----------|
| Total outstanding commitments | 2,347,000 | 2,300,000 |

14 Controlling party

The company is controlled by the directors, K M Affara and T Affara.

15 Cash generated from operations

| | 2019 £ | 2018 £ |
|--|----------------|----------------|
| (Loss)/profit for the year after tax | (83,445) | 7,185 |
| Adjustments for: | | |
| Depreciation and impairment of tangible fixed assets | 106,681 | 94,397 |
| Movements in working capital: | | |
| (Increase)/decrease in stocks | (350,947) | 13,049 |
| (Increase) in debtors | (247,449) | (295,388) |
| Increase in creditors | 1,178,689 | 330,278 |
| Cash generated from operations | 603,529 | 149,521 |