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Report and Accounts

Year ended 31 October 2007

HYDRO HOTEL, EASTBOURNE, PLC

NOTICE IS HEREBY GIVEN that the ONE HUNDRED AND THIRTEENTH ANNUAL GENERAL MEETING of the Company will be held at the HYDRO HOTEL, EASTBOURNE, on WEDNESDAY the 16TH DAY OF APRIL 2008, at 11 30 am for the following purposes

Resolutions

To consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 6 will be proposed as ordinary resolutions and number 7 as a special resolution

- 1 To receive the Accounts for the year ended 31 October 2007 and the Reports of the Directors and Auditors thereon
- 2 To declare a dividend
- 3 To re-elect Mr G C King as a Director
- 4 To re-elect Mr J A Martyr as a Director
- 5 To vote Directors' remuneration for the year ending 31 October 2008
- 6 To re-appoint the Auditors and to authorise the Directors to fix their remuneration
- 7 That the regulations set out in the printed document produced to this meeting, and for the purpose of identification signed by the Chairman of the meeting, be and are approved and adopted as the Articles of Association of the Company, in substitution for, and to the exclusion of, all the existing Articles of Association of the Company

Any member of the Company entitled to attend and vote at this meeting is also entitled to appoint a proxy or proxies to attend and vote in his stead A proxy need not be a member of the Company

A copy of the proposed new Articles of Association, together with a copy of the existing Articles of Association that it is proposed are replaced, will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday and public holidays excepted) from the date of this notice until the date of the meeting and at the meeting

Registered Office
Mount Road
Eastbourne
East Sussex
BN20 7HZ
19 March 2008

By Order of the Board,


C P FREEMAN, FCA, CTA(Fellow),

Secretary

HYDRO HOTEL, EASTBOURNE, PLC

CHAIRMAN'S STATEMENT

Results for year to October 31, 2007

The Directors' report contains a Business Review

Developments since October 31, 2007

This season we have refurbished 12 bedrooms and bathrooms (14% of the total), and continued the programme of renovating a section of the main roof each year, re-covering the area above the Crystal Restaurant. We have completed the replacement of the rear fire escape and we plan to replace the front fire escape later this year.

We have obtained planning permission to build an orangery opening out from the Crystal Restaurant to provide a facility for holding mid sized functions for up to 30 guests, and for à la carte dining.

We are currently reviewing the provision of the gas and electricity supply, and our hot water and central heating plant, with a view to modernising the equipment to optimise fuel and consumption efficiency.

We are obtaining quotations for the refurbishment of the two lifts.

New Articles of Association

Our Articles of Association have not been updated for many years, and with the coming into force of the new Companies Act 2006 we have taken the opportunity to table new Articles of Association for adoption by the company.

The Board

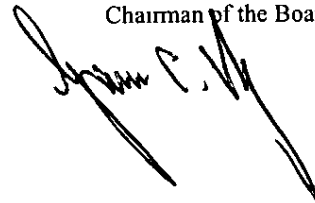
Following the retirement from the Board of Graham Bean, our former General Manager, we appointed Julian Martyr FIH as our specialist hotelier non-executive Director. Julian has 30 years experience in the hotel trade and has twice been Chairman of the Eastbourne Hotels Association. In accordance with the Articles Julian stands down as a Director at the AGM and offers himself for re-election, and I retire by rotation and offer myself for re-election.

Our Staff

Another year of stability in the management of the Hotel has continued to show benefits in increasing customer satisfaction and new business levels. I thank our General Manager, Mr Ian Turnbull, for his leadership over the last year, and all our staff for their enthusiastic and efficient service to our customers.

29 February 2008

Graeme C King, MA, CA
Chairman of the Board



HYDRO HOTEL, EASTBOURNE, PLC

REPORT OF THE DIRECTORS

The Directors submit their Report and the audited Accounts for the year ended 31 October 2007

PRINCIPAL ACTIVITY - The Company carries on the business of hoteliers. It has no subsidiary companies.

REVIEW OF THE BUSINESS - The Company has been operating the 83 bedroom Hydro Hotel, Mount Road, Eastbourne, which it owns freehold, since 1895. The Directors have reviewed whether to expand the business to operate from additional locations, but for the time being have decided to focus on maximising the business at Hydro Hotel.

Hydro Hotel aims to be the pre-eminent traditional three star hotel in the Eastbourne area, offering a high quality product with excellent service, giving perceived value for money to our customers.

Performance Measurement and Key Performance Indicators

In order to measure the success of the Company in meeting its objectives and to evaluate the performance of management, the Directors review the following key performance indicators at their regular monthly Board meetings:

- REVPAR (Revenue achieved per available room)
- Food & Beverage sales volume and gross profit achieved
- Staff costs and overheads, compared to sales

The Directors also review marketing activities undertaken and planned, future bookings, feedback from customers on service provided, employee changes, capital and refurbishment plans, budgets and expenditure, and cash management.

Business Development

Turnover from the Hydro Hotel operation increased during the year by 4.6%. Revpar increased by 0.9%, and Food & Beverage gross profit increased by 6.1%. Staff costs and overheads were held steady as a percentage of sales.

The Company generated cash from ongoing operations of £415,961 and invested £323,526 in new fixed assets. The Company created a banqueting servery in the Wedgwood room, refurbished 16 guest bedrooms and bathrooms (19% of the total), recarpeted the bedroom corridors, replaced the rear fire escape and built new changing facilities at the swimming pool which was also re-paved.

During the year the Company paid ordinary dividends of £156,000. At the year end the Company had a satisfactory net current asset position of £1,112,655.

HYDRO HOTEL, EASTBOURNE, PLC

REPORT OF THE DIRECTORS (CONTINUED)

Risk Factors

Risks regularly reviewed by the Directors which could materially affect the Company's business are

Reputational risk - The Company must consistently ensure that its offering to customers and the delivery of service meets their requirements, and adjusts to changes in market trends over time

Staffing risk - The Company must recruit, train, and retain sufficient high quality staff to enable it to deliver its service to customers

Hotel facility deterioration - The Company must continually invest to refresh its facilities, and if necessary change its offering, to meet the requirements of the market

Fire, Health & Safety, & Environmental Health - The Company must ensure that its premises and practices provide a safe environment for guests and staff, and comply with regulations

Future Developments

The Chairman's statement on page 2 covers future developments

TRADING RESULTS - The profit for the financial year after taxation was £239,961 (2006 £283,150 after crediting an exceptional item - profit on disposal of the sale of a property in Alfriston of £41,460 less taxation thereon)

DIVIDENDS - An interim dividend at the rate of 7 0p per share was paid on 24 January 2008 amounting to £42,000 and the Directors recommend the payment of a final dividend at the rate of 20 0p per share amounting to £120,000. Subject to approval at the Annual General Meeting, the final dividend will be paid on 8 May 2008 to shareholders on the register on 8 April 2008

DIRECTORS - Mr G C King retires by rotation and being eligible, offer himself for re-election. Mr J A Martyr who was appointed a Director on 17 July 2007 also retires and being eligible, offers himself for re-election

Those persons who held office during the year ended 31 October 2007 and their interest in the shares of the Company at the beginning of the year or date of appointment and end of the year were as follows

		1 November 2006	31 October 2007
C P Freeman, FCA, CTA(Fellow)	beneficial	500 shares	500 shares
G C King, MA, CA	beneficial	1,500 shares	1,500 shares
J A Martyr, FIH	beneficial	- shares	250 shares
Mrs M R Peck, MA(Oxon)	beneficial	2,541 shares	2,541 shares
	non-beneficial	5,000 shares	5,000 shares
J M S Piper, MRICS	beneficial	31,830 shares	21,430 shares
G Bean, MHCIMA	(who beneficially held 1,402 shares on 1 November 2006 and at his retirement on 18 April 2007)		

During the period 1 November 2007 to 29 February 2008 the only change in the Directors' registered interests in the shares of the Company was the beneficial acquisition by Mrs M R Peck of 2,570 shares on 29 February 2008

HYDRO HOTEL, EASTBOURNE, PLC

REPORT OF THE DIRECTORS (CONTINUED)

SUBSTANTIAL SHAREHOLDINGS - The following shareholders have reported an interest of 3 per cent or more in the ordinary shares of the Company at 29 February 2008

Mrs N Priestley	49,137 shares	8.19 per cent
Mrs E M Foster	45,923 shares	7.65 per cent
Mrs P A Gray	41,513 shares	6.92 per cent
Mr R C James	28,284 shares	4.71 per cent
Mr J M S Piper	21,430 shares	3.57 per cent
Mr J S and Mrs B Halifax	18,141 shares	3.02 per cent

GOING CONCERN - The Directors are confident, on the basis of current financial projections and facilities available, that the Company has adequate resources to continue in operation for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

PAYMENT TO CREDITORS - The Company agrees terms and conditions for business transactions with its suppliers. Payment is then made in accordance with these terms, subject to the terms and conditions being met by the supplier. Suppliers' accounts are settled on average within 24 days of invoice.

INSURANCE - To preclude the possibility of the Company incurring expenses which might arise from the need to indemnify a Director from claims made against him or her or the cost associated with their defence, the Company has effected Directors' liability insurance as permitted by the Companies Act 1985.

FINANCIAL RISK MANAGEMENT

Details of financial risk management activities are given in note 16 to the accounts.

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). The financial statements are required to 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 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 proper accounting records that 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 1985. 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.

So far as each of the Directors are aware at the time the report is approved, there is no relevant audit information of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

HYDRO HOTEL, EASTBOURNE, PLC

REPORT OF THE DIRECTORS (CONTINUED)

AUDITORS - A resolution for the reappointment of PKF (UK) LLP will be proposed at the forthcoming Annual General Meeting

This report was approved by the Board of Directors on 29 February 2008 and signed on behalf of the Board by

Mount Road
Eastbourne
East Sussex
BN20 7HZ


C P FREEMAN, FCA, CTA(Fellow),

Secretary

HYDRO HOTEL, EASTBOURNE, PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HYDRO HOTEL, EASTBOURNE, PLC

We have audited the financial statements of Hydro Hotel, Eastbourne, plc for the year ended 31 October 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' report is consistent with the financial statements.

In addition, we report to you if in our opinion the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Directors and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 October 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

London, UK

Dated 29/2/08

PKF (UK) LLP
PKF (UK) LLP
Registered Auditors

HYDRO HOTEL, EASTBOURNE, PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 2007

	<i>Notes</i>	2007 £	2006 £
TURNOVER	2	3,640,804	3,482,134
Cost of sales		3,202,944	3,063,372
GROSS PROFIT		437,860	418,762
Administrative expenses		177,436	177,071
OPERATING PROFIT	3	260,424	241,691
EXCEPTIONAL ITEM			
Profit on sale of discontinued operation - White Lodge	4	-	41,460
INTEREST RECEIVABLE	5	71,884	67,602
INTEREST PAID	5	(2,029)	(4,368)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		330,279	346,385
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	7	90,318	63,235
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION	12	£239,961	£283,150
Earnings per share - continuing operations	15	39 99p	41 16p

TOTAL RECOGNISED GAINS AND LOSSES - there are no recognised gains or losses other than the profit for the year as stated above

Movements in Reserves are set out in Note 12

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS can be found on page 9

All the above relate to continuing activities

HYDRO HOTEL, EASTBOURNE, PLC

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2007 £	2006 £
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	330,279	346,385
Difference between the historical cost depreciation charge on furniture and equipment and freehold land and buildings and the actual depreciation charge for the year calculated on revalued amounts	5,927	5,927
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION USING HISTORICAL COST DEPRECIATION CHARGE FOR YEAR	<u>£336,206</u>	<u>£352,312</u>
RETAINED PROFIT FOR YEAR ON HISTORICAL COST BASIS	<u>£245,888</u>	<u>£289,077</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION	239,961	283,150
Dividends paid (Note 6)	(156,000)	(414,000)
NET ADDITION TO/(REDUCTION FROM) SHAREHOLDERS' FUNDS	83,961	(130,850)
SHAREHOLDERS' FUNDS AT 1 NOVEMBER	3,528,036	3,658,886
SHAREHOLDERS' FUNDS AT 31 OCTOBER	<u>£3,611,997</u>	<u>£3,528,036</u>

HYDRO HOTEL, EASTBOURNE, PLC

BALANCE SHEET AT 31 OCTOBER 2007

	Notes	2007 £	2006 £
FIXED ASSETS			
Tangible Assets			
Freehold land and buildings	1 & 8	1,728,591	1,698,489
Furniture and equipment	1 & 8	842,214	716,758
		<u>2,570,805</u>	<u>2,415,247</u>
CURRENT ASSETS			
Stocks	1	38,543	31,398
Debtors	9	135,313	124,241
Investment - 5% Treasury Stock 2008	1	497,739	-
Cash at bank and in hand		1,056,431	1,622,254
		<u>1,728,026</u>	<u>1,777,893</u>
CREDITORS			
Amounts falling due within one year	10	(615,371)	(621,382)
NET CURRENT ASSETS		<u>1,112,655</u>	<u>1,156,511</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,683,460</u>	<u>3,571,758</u>
CREDITORS			
Amounts falling due after one year	10	-	(13,282)
PROVISION FOR LIABILITIES AND CHARGES 11		<u>(71,463)</u>	<u>(30,440)</u>
TOTAL ASSETS LESS LIABILITIES		<u><u>£3,611,997</u></u>	<u><u>£3,528,036</u></u>
CAPITAL AND RESERVES			
Ordinary Shares - Authorised and Issued			
600,000 Shares of £1 each fully paid		600,000	600,000
Revaluation Reserve	12	443,667	449,594
Profit and Loss Account	12	2,568,330	2,478,442
EQUITY SHAREHOLDERS' FUNDS		<u><u>£3,611,997</u></u>	<u><u>£3,528,036</u></u>

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 29 February 2008

G C King

Directors

J M S Piper

HYDRO HOTEL, EASTBOURNE, PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2007

	Notes	£	2007	£	2006	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	1			415,961		337,585
RETURNS ON INVESTMENT AND SERVICING OF FINANCE						
Interest receivable			71,884		67,602	
Interest paid			(17)		(21)	
Interest element of finance lease rental payments			(2,012)		(4,347)	
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND FROM SERVICING OF FINANCE				69,855		63,234
TAXATION						
Corporation tax paid				(47,755)		(281,344)
CAPITAL EXPENDITURE						
Payments to acquire tangible fixed assets		(323,526)			(326,062)	
Receipts from sales of tangible fixed assets on sale of operation		-			1,721,704	
Payments arising from sale of operation		-			(94,798)	
				(323,526)		1,300,844
				114,535		1,420,319
EQUITY DIVIDENDS PAID				(156,000)		(414,000)
MANAGEMENT OF LIQUID RESOURCES						
Purchase of 5% Treasury Stock 2008				(497,739)		-
				(539,204)		1,006,319
FINANCING						
Capital element of finance lease rental payments				(27,229)		(24,845)
(DECREASE)/INCREASE IN CASH	3			(£566,433)		£981,474

NOTES TO THE CASH FLOW STATEMENT

2 ANALYSIS OF CHANGES IN NET FUNDS

2007	2006
£	£

(Decrease)/Increase in cash for the year	(566,433)	981,474
Change in net debt	27,229	24,845
	<hr/>	<hr/>
	(539,204)	1,006,319
Net funds at 1 November	1,565,748	559,429
	<hr/>	<hr/>
Net funds at 31 October	£1,026,544	£1,565,748

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

Accounting Convention

The Accounts have been prepared under the historical cost convention with the exception of certain freehold buildings, furniture and equipment that had been revalued. The accounting policies comply in all material respects with all applicable U K Accounting Standards.

Turnover

The turnover represents the amount net of VAT charged for services rendered in the period.

Depreciation

(i) Freehold land and buildings

The Directors adopted Financial Reporting Standard 15 on fixed assets for the Company's Accounts for the year ended 31 October 2000. The Directors took advantage of the transitional arrangements available to retain the book amounts of the freehold properties which were revalued on 31 October 1990 by a firm of Chartered Surveyors on the open market value basis. This revaluation has not been updated.

Depreciation has been provided from 1 November 1999 at rates calculated to write off the cost or valuation on a straight line basis over the following expected useful lives:

Land	- not depreciated
Buildings	- 100 years

Impairment of Buildings is considered and assets are written down to their recoverable amounts when required.

(ii) Furniture and equipment

Depreciation is provided on furniture and equipment at rates calculated to write off the cost or revaluation of the fixed assets over their useful lives. The depreciation rates are determined in accordance with commercial practice for the hotel industry and vary between 6.67 per cent and 20 per cent on a straight line basis.

Investments

Current asset investments are stated at the lower of cost and net realisable value.

Stocks

Stocks comprise provisions and stores valued at the lower of cost or net realisable value.

Hire of Equipment

Rentals payable under operating leases are charged to Profit and Loss Account as incurred.

Assets held under finance leases and hire purchase contracts are capitalised and depreciated over their useful lives. The corresponding lease and hire purchase obligations are treated in the balance sheet as liabilities. The interest element of rental obligations is charged to the profit and loss account so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

Pensions

Defined contribution pension schemes

Defined contribution schemes are set up for employees at the Directors' discretion and the assets of these schemes are held separately being invested with an insurance company. The charge for the year is the amount of contributions payable by the company.

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

Deferred taxation

In accordance with Financial Reporting Standard (FRS 19) "Deferred tax" the Company provides deferred tax in full on timing differences which result in an obligation at the Balance Sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law

Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax balances are not discounted.

2 TURNOVER

The turnover and operating profit are wholly attributable to the Company's sole activity as hoteliers.

3 OPERATING PROFIT

The operating profit has been arrived at after charging

	2007 £	2006 £
Auditors' remuneration		
Hydro Hotel, Eastbourne, plc		
Audit fees	11,245	11,873
Other services relating to taxation	150	1,450
All other services	4,702	5,275
	<u>£16,097</u>	<u>£18,598</u>

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS (CONTINUED)

3	OPERATING PROFIT (CONTINUED)	2007 £	2006 £
	Depreciation		
	Freehold buildings	10,399	9,964
	Furniture and equipment	157,569	139,432
		<u>£167,968</u>	<u>£149,396</u>
	Directors' emoluments		
	Directors' fees	39,000	36,000
		<u>£39,000</u>	<u>£36,000</u>
	Aggregate emoluments		
		<u>£39,000</u>	<u>£36,000</u>
	Employee information		
	Staff costs		
	Wages and salaries	1,337,071	1,287,148
	Employer's social security costs	106,042	96,091
	Employer's pension costs	4,166	2,770
		<u>£1,447,279</u>	<u>£1,386,009</u>
	The average number of employees during the year was	Number	Number
	Full-time	75	71
	Part-time	26	32
		<u>101</u>	<u>103</u>

4 EXCEPTIONAL ITEM Profit on sale of discontinued operation

The profit of £41,460 represents the pre-tax profit on the sale of a property in Alfriston, the related corporation tax charge in the year ended 31 October 2006 was £5,302

5 INTEREST RECEIVABLE AND INTEREST PAID

	2007 £	2006 £
Interest receivable	<u>£71,884</u>	<u>£67,602</u>
Paid on bank overdraft	17	21
Finance lease charges	2,012	4,347
	<u>£2,029</u>	<u>£4,368</u>

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS (CONTINUED)

	2007 £	2006 £
6 DIVIDENDS		
Paid during the year -		
Interim dividend 6 5p (2006 6 5p)	39,000	39,000
Special dividend Nil (2006 - 44p)	-	264,000
Final dividend 19 5p (2006 - 18 5p)	117,000	111,000
	156,000	£414,000

An interim dividend of £42,000 (2006 £39,000) was paid on 24 January 2008. The Directors will propose a final dividend of £120,000 (2006 £117,000) at the Annual General Meeting, payable on 8 May 2008.

	2007 £	2006 £
7 TAXATION		
U K corporation tax charge at the rate of 19.59% (2006 rate 19%)		
For the year	49,760	48,220
(Recovered) in respect of previous periods	(465)	(791)
	49,295	47,429
Current tax charge	49,295	47,429
Deferred taxation on origination and reversal of timing differences	41,023	15,806
	£90,318	£63,235
Factors affecting tax charge for period		
Profit on ordinary activities before taxation	330,279	346,385
	64,701	65,813
Profit on ordinary activities multiplied by the rate of corporation tax in the U K for the year of 19.59% (2006 rate 19%)	64,701	65,813
Chargeable gains (less than)/in excess of profit on sale of chargeable items	-	(2,588)
Expenses not deductible for tax purposes	-	459
Capital allowances for year in excess of depreciation	(14,941)	(15,464)
Adjustment to tax charge in respect of previous period	(465)	(791)
	£49,295	£47,429

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS (CONTINUED)

8 TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Furniture and Equipment £	Total £
<i>Revaluation/Cost</i>			
Brought forward at 1 November 2006	1,764,979	1,762,033	3,527,012
Additions in the year	40,501	283,025	323,526
Disposals in the year	-	(358,470)	(358,470)
Carried forward at 31 October 2007	£1,805,480	£1,686,588	£3,492,068
Valuation at 31 October 1990	1,440,000	317,860	1,757,860
Additions at cost to 31 October 2007	365,480	1,727,198	2,092,678
Disposals in the year	-	(358,470)	(358,470)
Carried forward at 31 October 2007	£1,805,480	£1,686,588	£3,492,068
<i>Depreciation</i>			
Brought forward at 1 November 2006	66,490	1,045,275	1,111,765
Charge for the year	10,399	157,569	167,968
Disposals in the year	-	(358,470)	(358,470)
Carried forward at 31 October 2007	£76,889	£844,374	£921,263
Book Value at 31 October 2007	£1,728,591	£842,214	£2,570,805
Book Value at 1 November 2006	£1,698,489	£716,758	£2,415,247

The transitional provisions of FRS15 have been adopted and accordingly the Book Value at 1 November 2006 and 31 October 2007 is stated on the basis of an open market valuation made by a specialist firm of Chartered Surveyors at 31 October 1990 and additions at cost thereafter less depreciation charged. The valuation as at 31 October 1990 has not been updated.

The Book Value of Furniture and Equipment includes £61,537 (2006 £73,845) in respect of assets held under finance leases. The amount of depreciation in respect of such assets is £61,540 (2006 £49,232). During the year £358,470 of fully depreciated Furniture and Equipment purchased prior to 1 November 1992 has been written off.

Included within the Book Value of Freehold Land and Buildings at 31 October 2007 is £771,773 of non depreciated land.

The Book Value at 31 October 2007 of the Company's fixed assets on a historic cost basis is -

	Freehold Land and Buildings £	Furniture and Equipment £	Total £
Cost	528,160	1,686,588	2,214,748
Accumulated depreciation	(29,475)	(844,374)	(873,849)
Net historic book value	£498,685	£842,214	£1,340,899

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS (CONTINUED)

	2007 £	2006 £
9 DEBTORS		
Recoverable within one year		
Trade debtors	94,569	96,902
Other debtors	4,525	2,164
Prepayments and accrued income	36,219	25,175
	£135,313	£124,241
10 CREDITORS		
Amounts falling due within one year		
Bank overdraft	16,555	15,945
Trade creditors	272,320	261,823
Obligations under hire purchase contracts	13,332	27,279
Corporation tax	49,760	48,220
Taxation and social security	182,207	178,828
Accruals	81,197	89,287
	£615,371	£621,382
Amounts falling due after one year		
Obligations under hire purchase contracts	-	13,282
	-	£13,282
Net obligations under hire purchase contracts are payable -		
Within one year	13,332	27,279
In two to five years	-	13,282
	£13,332	£40,561
Amounts due under the hire purchase contracts are secured on the underlying assets		
11 PROVISION FOR LIABILITIES AND CHARGES		
Deferred tax		
Balance brought forward	30,440	14,634
Movement in the year	41,023	15,806
	£71,463	£30,440

The deferred taxation liability of £71,463 relates to the effects of accelerated capital allowances claimed

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS (CONTINUED)

12 RESERVES

	Revaluation Reserve	Profit and Loss	2007 Total	2006 Total
	£	£	£	£
Balance at 1 November	449,594	2,478,442	2,928,036	3,058,886
Retained profit for the year	-	239,961	239,961	283,150
Transfer of depreciation on revaluation of assets	(5,927)	5,927	-	-
Dividends paid in the year (Note 6)	-	(156,000)	(156,000)	(414,000)
Balance at 31 October	<u>£443,667</u>	<u>£2,568,330</u>	<u>£3,011,997</u>	<u>£2,928,036</u>

13 PENSIONS

Defined contribution pension schemes

Contributions paid during the year ended 31 October 2007 amounted to £4,166 (2006 £2,770)

The Company has no defined benefit pension scheme

14 DIRECTORS' AND OFFICERS' INTERESTS AND RELATED PARTY MATTERS

Mr C P Freeman the Company Secretary and Director is a partner in Perkins Copeland, Chartered Accountants. This firm provided accountancy, taxation, secretarial and registration services to the Company costing £61,900 during the year ended 31 October 2007 (2006 £63,050). The amount outstanding and due to Perkins Copeland at 31 October 2007 was £17,000 (2006 £17,700) and is included in Trade Creditors (Note 10).

No other Director was materially interested, either at the year end or during the year, in any contract of significance in relation to the business of the Company.

Directors receive dividends in accordance with their shareholdings which are disclosed in the Directors' Report.

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS (CONTINUED)

15 EARNINGS PER SHARE

	2007	2006
	£	£
Profit for the financial year after taxation	239,961	283,150
Adjusting earnings to exclude the effect of discontinued operations - 2006 - Profit on sale of discontinued operation (£41,460), net of taxation (£5,302)	-	(36,158)
Earnings from continuing operations	239,961	246,992
Earnings per share (basic and diluted) - continuing operations	39 99 p	41 16 p
Earnings per share (basic and diluted) - discontinued operations	- p	6 03 p
Earnings per share (basic and diluted) - continuing and discontinued operations	39 99 p	47 19 p

All earnings per share have been calculated using 600,000 shares, being the weighted average number of shares for both years

16 FINANCIAL RISK MANAGEMENT

Treasury activities take place under procedures and policies approved and monitored by the Board. They are designed to minimise the financial risks faced by the Company. Liquidity, interest and currency risks are not currently considered to be significant. Cash at bank and in hand earns interest at floating rates, based principally on short term inter bank rates. Appropriate bank overdraft facilities are in place for the foreseeable working capital requirements.

The market value of the 5% Treasury Stock 2008 at 31 October 2007 was £496,105

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS (CONTINUED)

GENERAL INFORMATION

Registered office	Hydro Hotel Mount Road Eastbourne East Sussex BN20 7HZ
Company Registration No	44514
Share transfer and Registration Department	15 Gildredge Road Eastbourne East Sussex BN21 4RA
Auditors	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP
Bankers	Barclays Bank plc 63-67 Terminus Road Eastbourne East Sussex BN21 3PQ

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS (CONTINUED)

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