

000-000

HYDRO HOTEL, EASTBOURNE, PLC



Report and Accounts

Year ended 31 October 2008

HYDRO HOTEL, EASTBOURNE, PLC

CONTENTS

	Page
Chairman's Statement	2
Report of the Directors	3 - 5
Independent Auditors' Report	6
Profit and Loss Account	7
Note of Historical Cost Profits and Losses	8
Reconciliation of Movements in Shareholders' Funds	8
Balance Sheet	9
Cash Flow Statement	10
Notes to the Cash Flow Statement	11
Notes to the Accounts	12 - 18
General Information	19
Notice of Annual General Meeting	20
Proxy Form	21

HYDRO HOTEL, EASTBOURNE, PLC

CHAIRMAN'S STATEMENT

Results for year to October 31, 2008

The Directors' report contains a Business Review.

Developments since October 31, 2008

We are completing the building of the 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. This season we are refurbishing 19 bedrooms and bathrooms (23% of the total), and continuing the programme of renovating a section of the main roof each year, re-covering areas above the kitchen.

We are refurbishing the rear lift and we will be refurbishing the main lift early next year.

We have appointed specialist consultants to advise on how best to modernise our hot water and central heating plant, with a view to optimising fuel efficiency and minimising our carbon footprint. We also intend to replace the hotel's telephone system to improve facilities for guests.

With free on street car parking becoming more restricted in the town, we are reviewing how we can utilise the garage block and surrounding areas to offer more on site car parking for our guests.

The Board

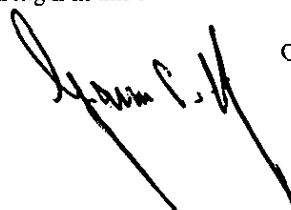
After nearly 30 years as a distinguished member of the Board, and Chairman for 6 years, Michael Piper has decided to retire from the Board as from the annual general meeting. I wish to pay tribute to Michael's distinguished leadership of the Company, noting the many improvements in which he was instrumental, particularly the Garden Suite where the AGM will be held, and the Conservatory. Both of these have been major profit earning assets for the company. On behalf of the company I wish Michael a long and happy retirement and we look forward to seeing him here in the years ahead.

Ian Turnbull, our executive director and general manager of the hotel, was appointed to the Board in May last year, and in accordance with the articles stands down and offers himself for re-election.

Our Staff

I thank Ian Turnbull for his leadership over the last year during which the economic backdrop has progressively worsened. The results for the year demonstrate his sound management of the business. We also have very loyal and capable staff, and their expert and efficient service to our customers will be our greatest strength in this recession.

20 January 2009



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 2008.

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 decreased during the year by 0.9%. Revpar decreased by 6.2%, and Food & Beverage gross profit increased by 0.2%. Staff costs and overheads reduced by 1.1% as a percentage of sales.

The Company generated cash from ongoing operations of £452,911 and invested £294,605 in new fixed assets. The Company refurbished 21 guest bedrooms (25% of the total), replaced the front fire escape, and incurred most of the cost of completely refurbishing the rear lift.

During the year the Company paid ordinary dividends of £162,000. At the year end the Company had a satisfactory net current asset position of £1,097,534.

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

General economic situation in the UK - The Company is liable to be affected by changes in customer and business sector confidence and spending power, and may need to adjust its operations accordingly.

Future Developments

The Chairman's statement on page 2 covers future developments.

HYDRO HOTEL, EASTBOURNE, PLC

REPORT OF THE DIRECTORS (CONTINUED)

TRADING RESULTS - The profit for the financial year after taxation was £245,704 (2007 £239,961).

DIVIDENDS - An interim dividend at the rate of 7.0p per share will be paid on 22 January 2009 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 7 May 2009 to shareholders on the register on 14 April 2009.

DIRECTORS - Mr J M S Piper retires by rotation and is not offering himself for re-election. Mr I A Turnbull who was appointed a Director on 13 May 2008 also retires and being eligible, offers himself for re-election.

Those persons who held office during the year were as follows:

C P Freeman, FCA, CTA(Fellow)

G C King, MA, CA

J A Martyr, FIH

Mrs M R Peck, MA(Oxon)

J M S Piper, MRICS

I A Turnbull

appointed 13 May 2008

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 31 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 15 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;
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

HYDRO HOTEL, EASTBOURNE, PLC

REPORT OF THE DIRECTORS (CONTINUED)


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 is 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.

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 20 January 2009 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 2008 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 2008 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 20 January 2009

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

HYDRO HOTEL, EASTBOURNE, PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 2008

	<i>Notes</i>	2008 £	2007 £
TURNOVER	2	3,608,092	3,640,804
Cost of sales		3,169,805	3,202,944
GROSS PROFIT		438,287	437,860
Administrative expenses		198,011	177,436
OPERATING PROFIT	3	240,276	260,424
INTEREST RECEIVABLE	4	70,669	71,884
INTEREST PAID	4	(153)	(2,029)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		310,792	330,279
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	6	65,088	90,318
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION	11	£245,704	£239,961
Earnings per share - continuing operations	14	40.95p	39.99p

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 11.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS can be found on page 8.

All the above relate to continuing activities.

HYDRO HOTEL, EASTBOURNE, PLC

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2008 £	2007 £
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	310,792	330,279
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>£316,719</u>	<u>£336,206</u>
RETAINED PROFIT FOR YEAR ON HISTORICAL COST BASIS	<u>£251,631</u>	<u>£245,888</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £	2007 £
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION	245,704	239,961
Dividends paid (Note 5)	(162,000)	(156,000)
NET ADDITION TO SHAREHOLDERS' FUNDS	83,704	83,961
SHAREHOLDERS' FUNDS AT 1 NOVEMBER	3,611,997	3,528,036
SHAREHOLDERS' FUNDS AT 31 OCTOBER	<u>£3,695,701</u>	<u>£3,611,997</u>

HYDRO HOTEL, EASTBOURNE, PLC

BALANCE SHEET AT 31 OCTOBER 2008

	Notes	2008 £	2007 £
FIXED ASSETS			
Tangible Assets			
Freehold land and buildings	1 & 7	1,737,011	1,728,591
Furniture and equipment	1 & 7	941,011	842,214
		<u>2,678,022</u>	<u>2,570,805</u>
CURRENT ASSETS			
Stocks	1	42,464	38,543
Debtors	8	125,492	135,313
Investment	1	1,100,000	497,739
Cash at bank and in hand		471,721	1,056,431
		<u>1,739,677</u>	<u>1,728,026</u>
CREDITORS			
Amounts falling due within one year	9	(642,143)	(615,371)
NET CURRENT ASSETS		<u>1,097,534</u>	<u>1,112,655</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,775,556</u>	<u>3,683,460</u>
PROVISION FOR LIABILITIES AND CHARGES 10		<u>(79,855)</u>	<u>(71,463)</u>
TOTAL ASSETS LESS LIABILITIES		<u><u>£3,695,701</u></u>	<u><u>£3,611,997</u></u>
CAPITAL AND RESERVES			
Ordinary Shares - Authorised and Issued: 600,000 Shares of £1 each fully paid		600,000	600,000
Revaluation Reserve	11	437,740	443,667
Profit and Loss Account	11	2,657,961	2,568,330
EQUITY SHAREHOLDERS' FUNDS		<u><u>£3,695,701</u></u>	<u><u>£3,611,997</u></u>

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 20 January 2009.

G C King
J M S Piper } Directors



HYDRO HOTEL, EASTBOURNE, PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2008

	Notes	2008 £	2007 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	1	452,911	415,961
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest receivable		70,669	71,884
Interest paid		(4)	(17)
Interest element of finance lease rental payments		(149)	(2,012)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND FROM SERVICING OF FINANCE		70,516	69,855
TAXATION			
Corporation tax paid		(49,760)	(47,755)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(263,490)	(323,526)
		210,177	114,535
EQUITY DIVIDENDS PAID		(162,000)	(156,000)
MANAGEMENT OF LIQUID RESOURCES			
Purchase of 5% Treasury Stock 2008		-	(497,739)
Redemption of 5% Treasury Stock 2008		497,000	-
Purchase of Henderson Liquid Assets Fund UCITS		(1,100,000)	-
		(554,823)	(539,204)
FINANCING			
Capital element of finance lease rental payments		(13,332)	(27,229)
DECREASE IN CASH	3	(£568,155)	(£566,433)

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE CASH FLOW STATEMENT

	2008 £	2007 £
1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Operating profit	240,276	260,424
Depreciation	184,393	167,968
Loss on disposal of Fixed Assets and Investment	1,491	-
(Increase) in Stocks	(3,921)	(7,145)
Decrease/(Increase) in Debtors	12,064	(11,072)
Increase in Creditors	18,608	5,786
Net cash inflow from operating activities	£452,911	£415,961

2. ANALYSIS OF CHANGES IN NET FUNDS

	1 November 2007	Cash Flows	31 October 2008
Cash in hand	3,285	-	3,285
Cash at bank	1,053,146	(584,710)	468,436
Bank overdraft	(16,555)	16,555	-
	1,039,876	(568,155)	471,721
Debt due within one year	(13,332)	13,332	-
	£1,026,544	(£554,823)	£471,721

	2008 £	2007 £
3. RECONCILIATION OF MOVEMENT IN CASH TO MOVEMENT IN NET FUNDS		
Decrease in cash for the year	(568,155)	(566,433)
Change in net debt	13,332	27,229
	(554,823)	(539,204)
Net funds at 1 November	1,026,544	1,565,748
Net funds at 31 October	£471,721	£1,026,544

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

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

Depreciation

(i) Freehold land and building

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 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 straight line basis over the following expected useful lives:

Land	- not depreciated
Buildings	- 100 years

Impairment of Building 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 straight line basis.

Investments

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

Stock

Stocks comprise provision and stores valued at 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.

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

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.

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:

	2008 £	2007 £
Auditors' remuneration:		
Hydro Hotel, Eastbourne, plc		
Audit fees	13,000	11,245
Other services relating to taxation	975	150
All other services	8,209	4,702
	<u>£22,184</u>	<u>£16,097</u>
Depreciation:		
Freehold buildings	10,399	10,399
Furniture and equipment	173,994	157,569
	<u>£184,393</u>	<u>£167,968</u>

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS (CONTINUED)

3. OPERATING PROFIT (CONTINUED)

	2008 £	2007 £
Directors' remuneration:		
Directors' emoluments	66,867	39,000
Pension contributions	675	-
	<u>£67,542</u>	<u>£39,000</u>

The number of directors for whom retirement benefits are accruing under money purchase schemes amounted to 1 (2007 - 0).

Employee information

Staff costs:

Wages and salaries	1,351,892	1,337,071
Employer's social security costs	104,802	106,042
Employer's pension costs	4,608	4,166
	<u>£1,461,302</u>	<u>£1,447,279</u>

The average number of employees during the year was:

	Number	Number
Full-time	72	75
Part-time	26	26
	<u>98</u>	<u>101</u>

4. INTEREST RECEIVABLE AND INTEREST PAID

Interest receivable	<u>£70,669</u>	<u>£71,884</u>
Paid on bank overdraft	4	17
Finance lease charges	149	2,012
	<u>£153</u>	<u>£2,029</u>

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS (CONTINUED)

	2008 £	2007 £
5. DIVIDENDS		
Paid during the year:-		
Interim dividend 7.0p (2007 - 6.5p)	42,000	39,000
Final dividend 20.0p (2007 - 19.5p)	120,000	117,000
	£162,000	£156,000
An interim dividend of £42,000 (2007: £42,000) will be paid on 22 January 2009. The Directors will propose a final dividend of £120,000 (2007: £120,000) at the Annual General Meeting, payable on 7 May 2009.		
6. TAXATION		
U.K. corporation tax charge at the rate of 20.58% (2007 rate: 19.59%)		
For the year	56,696	49,760
(Recovered) in respect of previous periods	-	(465)
Current tax charge	56,696	49,295
Deferred taxation on origination and reversal of timing differences	8,392	41,023
Taxation on profit on ordinary activities	£65,088	£90,318
Factors affecting tax charge for period:		
Profit on ordinary activities before taxation	310,792	330,279
Profit on ordinary activities multiplied by the rate of corporation tax in the U.K. for the year of 20.58% (2007 rate: 19.59%)	63,975	64,701
Expenses not deductible for tax purposes	152	-
Capital allowances for year in excess of depreciation	(7,431)	(14,941)
Adjustment to tax charge in respect of previous period	-	(465)
Current tax charge for period	£56,696	£49,295

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS (CONTINUED)

7. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Furniture and Equipment £	Total £
<i>Revaluation/Cost</i>			
Brought forward at 1 November 2007	1,805,480	1,686,588	3,492,068
Additions in the year	18,819	275,786	294,605
Disposals in the year	-	(23,741)	(23,741)
Carried forward at 31 October 2008	£1,824,299	£1,938,633	£3,762,932
Valuation at 31 October 1990	1,440,000	-	1,440,000
Additions at cost to 31 October 2008	384,299	1,962,374	2,346,673
Disposals in the year	-	(23,741)	(23,741)
Carried forward at 31 October 2008	£1,824,299	£1,938,633	£3,762,932
<i>Depreciation</i>			
Brought forward at 1 November 2007	76,889	844,374	921,263
Charge for the year	10,399	173,994	184,393
Disposals in the year	-	(20,746)	(20,746)
Carried forward at 31 October 2008	£87,288	£997,622	£1,084,910
Book Value at 31 October 2008	£1,737,011	£941,011	£2,678,022
Book Value at 1 November 2007	£1,728,591	£842,214	£2,570,805

The transitional provisions of FRS15 have been adopted and accordingly the Book Value at 1 November 2007 and 31 October 2008 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 £nil (2007 £61,537) in respect of assets held under finance leases. The amount of depreciation in respect of such assets is £nil (2007 £61,540).

Included within the Book Value of Freehold Land and Buildings at 31 October 2008 is £771,773 of non depreciated land.

The Book Value at 31 October 2008 of the Company's fixed assets on a historic cost basis is:-

	Freehold Land and Buildings £	Furniture and Equipment £	Total £
Cost	546,979	1,938,633	2,485,612
Accumulated depreciation	(33,947)	(997,622)	(1,031,569)
Net historic book value	£513,032	£941,011	£1,454,043

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS (CONTINUED)

8. DEBTORS	2008 £	2007 £
Recoverable within one year:		
Trade debtors	78,044	94,569
Other debtors	7,777	4,525
Prepayments and accrued income	39,671	36,219
	£125,492	£135,313

9. CREDITORS		
Amounts falling due within one year:		
Bank overdraft	-	16,555
Trade creditors	338,810	272,320
Obligations under hire purchase contracts	-	13,332
Corporation tax	56,696	49,760
Taxation and social security	171,401	182,207
Accruals	75,236	81,197
	£642,143	£615,371

10. PROVISION FOR LIABILITIES AND CHARGES

Deferred tax		
Balance brought forward	71,463	30,440
Movement in the year	8,392	41,023
	£79,855	£71,463

The deferred taxation liability of £79,855 relates to the effects of accelerated capital allowances claimed.

11. RESERVES

	Revaluation Reserve	Profit and Loss	2008 Total	2007 Total
	£	£	£	£
Balance at 1 November	443,667	2,568,330	3,011,997	2,928,036
Retained profit for the year	-	245,704	245,704	239,961
Transfer of depreciation on revaluation of assets	(5,927)	5,927	-	-
Dividends paid in the year (Note 5)	-	(162,000)	(162,000)	(156,000)
Balance at 31 October	£437,740	£2,657,961	£3,095,701	£3,011,997

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS (CONTINUED)

12. PENSIONS

Defined contribution pension schemes

Contributions paid during the year ended 31 October 2008 amounted to £4,608 (2007 £4,166).

The Company has no defined benefit pension scheme.

13. 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 £62,850 during the year ended 31 October 2008 (2007 £61,900). The amount outstanding and due to Perkins Copeland at 31 October 2008 was £28,501 (2007 £28,867) 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 received dividends in accordance with their shareholdings. Dividends of £8,893 (2007 £10,847) were paid to the Directors during the year.

14. EARNINGS PER SHARE

	2008	2007
	£	£
Earnings are based on the profit for the financial year after taxation	245,704	239,961
	<hr/>	<hr/>
Earnings per share (basic and diluted)	40.95p	39.99p

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

15. 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. Concern has arisen since the summer of 2007 for the security of funds placed on deposits with banks. To diversify the risk the company initially placed £497,000 of its working capital in a short dated gilt. When this matured £1,100,000 was gradually allocated to Henderson Liquid Asset Fund plc. an Undertaking Collective Investment in Transferable Securities, which operates a very conservative money market fund with no foreign currency exposure and a high degree of liquidity to enable same day redemption.

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.

16. CAPITAL COMMITMENTS

	2008	2007
	£	£
At 31 October 2008 the company had capital commitments as follows:		
Contracts for capital expenditure	32,738	-
	<hr/>	<hr/>

HYDRO HOTEL, EASTBOURNE, PLC

Registered Office:	Hydro Hotel Mount Road Eastbourne East Sussex BN20 7HZ
Company Registration No:	44514
Share Transfer and Registration Department:	Perkins Copeland 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

NOTICE IS HEREBY GIVEN that the ONE HUNDRED AND FOURTEENTH ANNUAL GENERAL MEETING of the Company will be held at the HYDRO HOTEL, EASTBOURNE, on THURSDAY the 12TH DAY OF MARCH 2009, at 11.30 am for the following purposes:

Resolutions

To consider and, if thought fit, to pass the following resolutions.

1. To receive the Accounts for the year ended 31 October 2008 and the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To re-elect Mr I A Turnbull as a Director.
4. To vote Directors' fees for the year ending 31 October 2009.
5. To re-appoint the Auditors and to authorise the Directors to fix their remuneration.

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

Registered Office
Mount Road
Eastbourne
East Sussex
BN20 7HZ
20 January 2009

By Order of the Board,

C P FREEMAN, FCA, CTA(Fellow),

HYDRO HOTEL, EASTBOURNE, PLC

FORM OF PROXY

Before completing this form please read the Notice of Annual General Meeting sent herewith, and the notes at the bottom of this form.

I/We.....

Of.....

being a member/s of Hydro Hotel, Eastbourne, PLC appoint:

.....
whom failing, or if left blank, **the Chairman of the Meeting**, as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 12th March 2009 at 11.30 am and at any adjournment thereof.

If I/we am/are appointing more than one proxy to exercise votes in respect of my/our shareholding, I/we confirm that the proxy appointed by this form is to exercise the vote(s) for the following number of my/our shares only:

--

Please indicate with an 'X' how you wish your proxy to vote. If no indication is given as to how the proxy shall vote, the proxy may vote at his/her discretion or abstain.

Resolutions	For	Against	Votes withheld
1. To receive the Directors' Report and Accounts for the year ended 31 October 2008.			
2. To declare a dividend of 20p per share.			
3. To re-elect Mr I A Turnbull as a Director.			
4. To vote Directors' fees for the year ending 31 October 2009.			
5. To re-appoint the Auditors and to authorise the Directors to fix their remuneration.			

Signature.....Date.....2009

Notes: This form must be signed by the holder or their attorney duly authorised in writing, or if the holder is a corporation either under its common seal or under the hand of a duly authorised officer or attorney of that company. Any alteration made to this form should be initialled. In the case of joint holders the signature of any one holder is sufficient.

The 'votes withheld' option is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes cast 'For' or 'Against' a resolution.

To be valid this form must be returned to the Registrars at their address overleaf to be received no later than 48 hours before the time of the meeting, together if applicable with a certified copy of the power of attorney if such has not previously been presented to the Registrars.