

Signed  
C. O. House

# **HYDRO HOTEL, EASTBOURNE, PLC**

**Company Registration No. 00044514 (England and Wales)**



## **Report and Financial Statements**

**Year ended 31 October 2013**

# **HYDRO HOTEL, EASTBOURNE, PLC**

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# HYDRO HOTEL, EASTBOURNE, PLC

## CHAIRMAN'S STATEMENT

### Results for year ended October 31, 2013

From July 2013 there was at last a sign that trading conditions were experiencing some improvement to those prevailing during the first eight months of the financial year and the years since the recession started to bite four years ago. However the improvement was more attributable to the very good summer weather from July onwards than a sustained pick up in general economic activity. We wait to see how much the statistical growth in the economy being discussed in Westminster affects conditions in the Eastbourne hotel sector. Interest rates are now even lower than this time last year which is continuing to penalise those with savings who make up an important element of our customer base. And of course interest rates are being kept low because business activity remains weak and the economy still needs stimulating.

Turnover for the year increased by £51,015 to £3,061,278. This translated into a slight increase in gross profit, and with staff costs and overheads both marginally lower than last year but interest received down, the profit before tax for the year was £100,274 (2012 £34,395). The post tax profit for the year increased to £76,984 (2012 £24,382). While this is insufficient to cover a maintained dividend again this year, the company has strong reserves and assets and so we have declared dividends totalling 18 pence per share absorbing £108,000, the same as the previous year.

### Developments since October 31, 2013

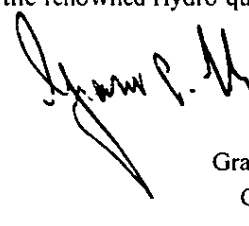
Company accounting reporting regulations now require companies to include a strategic report, and you will find this on pages 3 to 4. This details the board's current strategy to aim to be the pre-eminent 3 star hotel in the Eastbourne area, and that investment in additional new facilities should be designed to attract the next generation of customers with the income to enjoy the Hydro, while of course we continue to refresh the facilities our existing loyal customer base enjoy. We converted one sea facing room and its adjoining small west facing room on the 2nd floor into the Downland Suite to achieve a higher yield, and the initial results were sufficiently encouraging for us to plan to create another suite with the same configuration on the 1st floor in time for this year's summer season. At the same time we will be creating a suite on the ground floor which will have the layout necessary for customers with disabilities. We are also refurbishing a further 9 bedrooms to keep our accommodation offering appealing.

The hotel is positioned at the eastern end of the South Downs Way, an ancient pathway which is now a National Trail going for 100 miles within the newly created South Downs National Park to Winchester. We are looking into building a boot room so we can offer specialised facilities for walkers who wish to enjoy the magnificent walking on the South Downs, and a marketing plan will be developed to exploit this opportunity.

### Our Staff

Ian Turnbull, our Executive Director and General Manager of the hotel, has again led his team effectively during the year. Martin Hollands, our Financial Controller, has kept our costs under constant review. Kathy Rutherford Taylor, our Business Development Manager, has been developing our marketing programme, attracting new business to the hotel. She was instrumental in the production of the new hotel brochure which I circulated with my letter to shareholders last month, and she will be working with Ian Turnbull in the update planned for the hotel's website. Since the year end, Julian Martyr has resigned from the Board and I would like to express our thanks and appreciation to Julian for his work on the Board of the Company and wish him every success in his future endeavours. I also wish to record our thanks to our management team and all our staff for their dedication to attracting customers and to providing the renowned Hydro quality of service which is the bedrock of our business.

28 January 2014



Graeme C King, MA, CA  
Chairman of the Board

# HYDRO HOTEL, EASTBOURNE, PLC

## STRATEGIC REPORT

**STRATEGY** - The company has been operating the 83 bedroom Hydro Hotel, Mount Road, Eastbourne, which it owns freehold, since 1895. The company has operated additional premises in the past and the directors continue to review 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. The Board continues to invest in our core facilities of bedrooms, public rooms, function rooms, and kitchens, and we have agreed that additional investment in new facilities should be designed to appeal to the next generation of customers with the income to enjoy what the Hydro has to offer, to enable the company to refresh its customer base and position it to be able to achieve higher margins.

**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 Board meetings:

- Revpar (Revenue Achieved Per Available Room)
- Food and beverage sales 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.

**PERFORMANCE IN YEAR ENDED 31 OCTOBER 2013** - During the year ended 31 October 2013 the company increased its turnover by 1.7% (2012 decrease of 1.9%), and improved Revpar by 2.5% (2012 0.4%). However in the very competitive pricing conditions applying during the year the company was not fully able to pass on all the cost increases on food and beverage during the year resulting in the overall increase in gross profit achieved on those lines being held to a 0.6% increase (2012 reduction of 4.0%).

Staff costs and overheads, as a proportion of sales, were reduced by 2.7% (2012 increase of 0.3%), so that the company's operating profit before interest received and tax increased to £90,636 from the 2012 operating profit of £20,586.

The company's post tax profit was £76,984 (2012 £24,382), but with the company's strong cash position the Board felt able to declare unchanged dividends totalling £108,000 to be payable in 2014.

The company generated cash from ongoing operations of £297,134 (2012 £227,199) and invested £156,060 (2012 £197,827) in new fixed assets. The company refurbished 12 bedrooms and created the Downland Suite out of bedrooms 210 and 211, renovated the ground floor gentlemen's facilities, and replaced the Wedgwood room fire escape with a galvanised spiral fire escape. The creation of the Downland Suite resulted from the strategy of appealing to higher spending customers in the leisure market, and discerning customers in the business conference market.

During the year the company paid ordinary dividends of £108,000 (2012 £108,000). At the year end the company had a satisfactory net current asset position of £648,563 (2012 £624,894).

**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.

# HYDRO HOTEL, EASTBOURNE, PLC

## STRATEGIC REPORT (CONTINUED)

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

Financial Risk - 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, i.e. liquidity risk, credit risk and interest rate risk. The Board considers that the company is not exposed to price risk or foreign exchange risk.

Liquidity risk - The company manages its liquidity to ensure that sufficient funds are available for ongoing operations and future developments whilst seeking to maximise interest income and minimise interest expense.

Credit risk - The company's principal financial assets are cash balances and trade debtors. Credit risk on cash balances is limited as the Board only deposits funds with regulated institutions which have high credit ratings. Trade debtor balances are monitored on an ongoing basis and provision is made for doubtful debts as necessary.

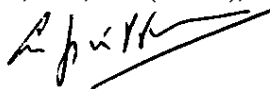
Interest rate risk - The company is exposed to interest rate risk on its cash balances. The Board monitors interest rates available for the company's funds taking into account the company's liquidity and credit risk requirements.

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.

This report was approved by the Board of directors on 28 January 2014 and signed by order of the Board by

C P FREEMAN, FCA, CTA(Fellow),

Secretary



# HYDRO HOTEL, EASTBOURNE, PLC

## REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 October 2013

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

SHARE CAPITAL - The company's shares are traded on the ISDX Growth Market

BUSINESS DEVELOPMENT AND PERFORMANCE REVIEW - This is covered in the Strategic Report on page 3

### FUTURE DEVELOPMENTS

The Chairman's Statement on page 2 covers future developments

DIVIDENDS - An interim dividend at the rate of 6 0p per share has been declared by the directors and paid on 16 January 2014 to shareholders on the register on 18 December 2013 amounting to £36,000 and a second interim dividend at the rate of 12 0p per share amounting to £72,000 has been declared by the directors for payment on 8 May 2014 to shareholders on the register on 15 April 2014. The directors do not propose the payment of a final dividend

DIRECTORS - I A Turnbull retires and being eligible, offers himself for re-election

Those persons who held office during the year and their interest in the shares of the company at the beginning and end of the year were as follows

	1 November 2012	31 October 2013
C P Freeman, FCA, CTA(Fellow)	2,000 shares	3,500 shares
G C King, MA, CA	7,000 shares	10,000 shares
J A Martyr, FIH (resigned 27 December 2013)	250 shares	250 shares
Mrs M R Peck, MA(Oxon) - beneficial	5,111 shares	5,111 shares
- non-beneficial	5,000 shares	5,000 shares
I A Turnbull MIH	500 shares	500 shares

GOING CONCERN - The directors' assessment of the going concern status of the company is set out in the accounting policies on page 13

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 2006

FINANCIAL RISK MANAGEMENT - This is covered in the Strategic Report on pages 3-4

DIRECTORS' RESPONSIBILITIES - The directors are responsible for preparing the report of the directors 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

# HYDRO HOTEL, EASTBOURNE, PLC

## REPORT OF THE DIRECTORS (CONTINUED)

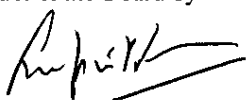
- \* select suitable accounting policies and then apply them consistently,
- \* make judgements and estimates that are reasonable and prudent,
- \* state whether applicable UK accounting standards have been followed, and
- \* prepare the financial statements on the going concern basis unless it is inappropriate 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.

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 auditor is 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 auditor is aware of that information.

This report was approved by the Board of directors on 28 January 2014 and signed by order of the Board by

Mount Road  
Eastbourne  
East Sussex  
BN20 7HZ

  
C P FREEMAN, FCA, CTA(Fellow),

Secretary

# HYDRO HOTEL, EASTBOURNE, PLC

## INDEPENDENT AUDITOR'S 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 2013 which comprise the Profit and Loss Account, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. 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.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 October 2013 and of its profit 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.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



William Neale Bussey (Senior Statutory Auditor)  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

28 January 2014



# HYDRO HOTEL, EASTBOURNE, PLC

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 2013

	<i>Notes</i>	<b>2013</b> £	<b>2012</b> £
TURNOVER	2	3,061,278	3,010,263
Cost of sales		2,775,258	2,798,213
GROSS PROFIT		286,020	212,050
Administrative expenses		195,384	191,464
OPERATING PROFIT	3	90,636	20,586
BANK INTEREST RECEIVABLE		9,638	13,809
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		100,274	34,395
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	5	23,290	10,013
PROFIT FOR THE YEAR	10	<b>76,984</b>	<b>24,382</b>
EARNINGS PER SHARE	13	12 83p	4 06p

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

All the above relate to continuing activities

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2013 £	2012 £
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	100,274	34,395
Difference between the historical cost depreciation charge on freehold land and buildings and the actual depreciation charge for the year calculated on revalued amounts	4,279	4,279
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION USING HISTORICAL COST DEPRECIATION CHARGE FOR YEAR	<u>104,553</u>	<u>38,674</u>
PROFIT FOR YEAR ON HISTORICAL COST BASIS	<u>81,263</u>	<u>28,661</u>

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013 £	2012 £
PROFIT FOR THE YEAR	76,984	24,382
Dividends paid (Note 4)	(108,000)	(108,000)
NET REDUCTION IN SHAREHOLDERS' FUNDS	<u>(31,016)</u>	<u>(83,618)</u>
SHAREHOLDERS' FUNDS AT 1 NOVEMBER	3,344,625	3,428,243
SHAREHOLDERS' FUNDS AT 31 OCTOBER	<u>3,313,609</u>	<u>3,344,625</u>

# HYDRO HOTEL, EASTBOURNE, PLC

## BALANCE SHEET AT 31 OCTOBER 2013

	Notes	2013 £	2012 £
<b>FIXED ASSETS</b>			
Tangible Assets			
Freehold land and buildings	6	1,855,410	1,823,877
Furniture and equipment	6	900,146	987,422
		<u>2,755,556</u>	<u>2,811,299</u>
<b>CURRENT ASSETS</b>			
Stocks		37,309	34,063
Debtors	7	104,686	149,993
Cash at bank and in hand		976,102	939,834
		<u>1,118,097</u>	<u>1,123,890</u>
<b>CREDITORS</b>			
Amounts falling due within one year	8	(469,534)	(498,996)
<b>NET CURRENT ASSETS</b>		<u>648,563</u>	<u>624,894</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,404,119</u>	<u>3,436,193</u>
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	9	<u>(90,510)</u>	<u>(91,568)</u>
<b>TOTAL ASSETS LESS LIABILITIES</b>		<u><u>3,313,609</u></u>	<u><u>3,344,625</u></u>
<b>CAPITAL AND RESERVES</b>			
Ordinary Shares - of £1 each called up & fully paid		600,000	600,000
Revaluation Reserve	10	436,883	441,162
Profit and Loss Account	10	2,276,726	2,303,463
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u><u>3,313,609</u></u>	<u><u>3,344,625</u></u>

The financial statements were approved and authorised for issue by the Board of directors and were signed on its behalf on 28 January 2014

G C King

Directors

M R Peck

*Manj R Peck*

Company Registration No 00044514

# HYDRO HOTEL, EASTBOURNE, PLC

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2013

	<i>Notes</i>	2013 £	2012 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	<i>1</i>	297,134	227,199
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest received		9,638	13,809
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND FROM SERVICING OF FINANCE		9,638	13,809
TAXATION			
Corporation tax paid		(18,786)	(12,914)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(156,060)	(197,827)
Receipts from sale of tangible fixed assets		-	646
		(156,060)	(197,181)
EQUITY DIVIDENDS PAID		(108,000)	(108,000)
NET CASH INFLOW/(OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING	<i>2</i>	23,926	(77,087)
MANAGEMENT OF LIQUID RESOURCES			
Decrease in short-term deposits		50,000	-
INCREASE/(DECREASE) IN CASH	<i>3</i>	73,926	(77,087)

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE CASH FLOW STATEMENT

	2013 £	2012 £
<b>1 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		
Operating profit	90,636	20,586
Depreciation	210,404	219,263
Loss on disposal of Fixed Assets	-	384
(Increase)/Decrease in Stocks	(3,246)	261
Decrease/(Increase) in Debtors	45,307	(42,325)
(Decrease)/Increase in Creditors	(45,967)	29,030
	<u>297,134</u>	<u>227,199</u>
Net cash inflow from operating activities	<u>297,134</u>	<u>227,199</u>

## 2 ANALYSIS OF CHANGES IN NET FUNDS

	1 November 2012	Cash Flows	31 October 2013
Cash at bank and in hand	589,834	86,268	676,102
Bank overdraft	(159)	(12,342)	(12,501)
	<u>589,675</u>	<u>73,926</u>	<u>663,601</u>
Cash	589,675	73,926	663,601
Short-term deposits	350,000	(50,000)	300,000
	<u>939,675</u>	<u>23,926</u>	<u>963,601</u>

Short-term deposits are included within cash at bank and in hand in the balance sheet

	2013 £	2012 £
<b>3 RECONCILIATION OF MOVEMENT IN CASH TO MOVEMENT IN NET FUNDS</b>		
Increase/(Decrease) in cash for the year	73,926	(77,087)
Cash inflow from short-term deposits	(50,000)	-
	<u>23,926</u>	<u>(77,087)</u>
Movement in net funds	23,926	(77,087)
Net funds at 1 November	939,675	1,016,762
	<u>963,601</u>	<u>939,675</u>
Net funds at 31 October	<u>963,601</u>	<u>939,675</u>

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1 ACCOUNTING POLICIES

#### *Accounting convention*

The financial statements have been prepared under the historical cost convention with the exception of freehold buildings that had been revalued. The accounting policies comply in all material respects with all U K Accounting Standards and applicable law.

#### *Going concern*

The company's business activities, development and performance for the financial year, together with the factors likely to affect its future development, are set out in the Chairman's Statement and Strategic Report on pages 2 to 4. This also details its approach to managing financial risks. The company has considerable financial resources and no borrowings, and annually prepares a cash forecast for the 15 months ahead. Based on an assessment of these factors, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### *Turnover*

Turnover is the value of goods and services sold to customers and guests after deducting discounts and VAT.

#### *Sale of goods*

The Hotel operates restaurant and bar facilities. Sales of goods are recognised when the restaurant or bar sells a product to a customer.

#### *Sale of services*

The Hotel supplies conference and event facilities as well as hotel rooms to business and private customers. Sales of rooms and conference and event facilities are recognised on the dates those facilities are used. Deposits received in advance are not recognised as turnover until the day of the stay or event.

#### *Tangible fixed assets*

##### *(i) Freehold land and buildings*

The directors adopted Financial Reporting Standard (FRS 15) "Tangible fixed assets" for the company's financial statements 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 a straight line basis over the following expected useful lives:

Land	- not depreciated
Buildings	- 100 years

##### *(ii) Furniture and equipment*

Depreciation is provided on furniture and equipment at rates calculated to write off the cost of the fixed assets over their useful lives. The depreciation rates are determined in accordance with commercial practice for the hotel industry on a straight line basis over 5, 10 or 15 years.

#### *Stock*

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

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE FINANCIAL STATEMENTS (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. The company operates in the United Kingdom and the whole of its turnover is to the United Kingdom market.

### 3 OPERATING PROFIT

The operating profit has been arrived at after charging

	2013 £	2012 £
Auditor's remuneration		
Hydro Hotel, Eastbourne, plc		
Audit fees - Mazars LLP	12,804	12,866
Corporate finance services - Mazars Corporate Finance Limited	3,967	4,200
	<u>16,771</u>	<u>17,066</u>
Depreciation		
Freehold buildings	12,598	12,091
Furniture and equipment	197,806	207,172
	<u>210,404</u>	<u>219,263</u>

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3	OPERATING PROFIT (CONTINUED)	2013 £	2012 £
	Directors' remuneration		
	Directors' emoluments	93,470	96,504
	Pension contributions	6,049	3,716
		<u>99,519</u>	<u>100,220</u>

The number of directors for whom retirement benefits are accruing under money purchase schemes amounted to 1 (2012 - 1)

### Employee information

Staff costs		
Wages and salaries	1,172,463	1,203,946
Employer's social security costs	73,673	83,551
Employer's pension costs	8,922	6,583
	<u>1,255,058</u>	<u>1,294,080</u>

The average number of employees during the year was	Number	Number
Management and administrative	11	11
Operational	87	82
	<u>98</u>	<u>93</u>

4	DIVIDENDS		
	Paid during the year -		
	First interim dividend 6 0p (2012 - 6 0p)	36,000	36,000
	Second interim dividend 12 0p (2012 - 12 0p)	72,000	72,000
		<u>108,000</u>	<u>108,000</u>

### Dividends payable

On 11 December 2013, the following dividends were declared a first interim dividend of £36,000 (2012 £36,000) which was paid on the 16 January 2014 to shareholders on the register on Wednesday 18 December 2013, and a second interim dividend of £72,000 (2012 £72,000) for payment on the 8 May 2014 to shareholders on the register on Tuesday 15 April 2014



# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 TAXATION	2013 £	2012 £
U K corporation tax charge at the rate of 20% (2012 rate 20%)		
For the year	24,348	18,786
Adjustment in respect of previous periods	-	(345)
	<hr/>	<hr/>
Current tax charge (see below)	24,348	18,441
Deferred taxation on origination and reversal of timing differences	(1,058)	(8,428)
	<hr/>	<hr/>
Taxation on profit on ordinary activities	<b>23,290</b>	<b>10,013</b>
	<hr/>	<hr/>
Factors affecting tax charge for period		
Profit on ordinary activities before taxation	100,274	34,395
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the average rate of corporation tax in the U K for the year of 20% (2012 rate 20%)	20,055	6,879
Income not taxable	(20)	-
Expenses not deductible for tax purposes	-	77
Capital allowances for year less than depreciation	4,313	11,830
Adjustment to tax charge in respect of previous period	-	(345)
	<hr/>	<hr/>
Current tax charge for period (see above)	<b>24,348</b>	<b>18,441</b>
	<hr/>	<hr/>

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6 TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Furniture and Equipment £	Total £
<i>Revaluation/Cost</i>			
Brought forward at 1 November 2012	1,956,431	2,251,862	4,208,293
Additions in the year	44,131	110,530	154,661
	<u>2,000,562</u>	<u>2,362,392</u>	<u>4,362,954</u>
Carried forward at 31 October 2013			
Valuation at 31 October 1990	1,440,000		
Additions at cost to 31 October 2013	560,562		
	<u>2,000,562</u>		
Carried forward at 31 October 2013			
<i>Depreciation</i>			
Brought forward at 1 November 2012	132,554	1,264,440	1,396,994
Charge for the year	12,598	197,806	210,404
	<u>145,152</u>	<u>1,462,246</u>	<u>1,607,398</u>
Carried forward at 31 October 2013			
Book value at 31 October 2013	<u>1,855,410</u>	<u>900,146</u>	<u>2,755,556</u>
Book value at 1 November 2012	<u>1,823,877</u>	<u>987,422</u>	<u>2,811,299</u>

Included within the book value of Freehold Land and Buildings at 31 October 2013 is £771,773 of non depreciated land

The book value at 31 October 2013 of the Company's fixed assets on an historic cost basis is -

	Freehold Land and Buildings £	Furniture and Equipment £	Total £
Cost	1,078,411	2,362,392	3,440,803
Accumulated depreciation	(85,246)	(1,462,246)	(1,547,492)
	<u>993,165</u>	<u>900,146</u>	<u>1,893,311</u>
Net historic book value			

### 7 DEBTORS

	2013 £	2012 £
Amounts falling due within one year		
Trade debtors	78,957	99,503
Other debtors	493	22,623
Prepayments and accrued income	25,236	27,867
	<u>104,686</u>	<u>149,993</u>

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8	CREDITORS	2013	2012
		£	<i>As restated</i> £
	Amounts falling due within one year		
	Bank overdraft	12,501	159
	Trade creditors	119,596	122,930
	Corporation tax	24,348	18,786
	Other taxation and social security	157,535	160,492
	Accruals and deferred income	155,554	196,629
		<b>469,534</b>	<b>498,996</b>

During the year, deposits for future bookings were reclassified from trade creditors to accruals and deferred income. The comparatives have been restated accordingly. There was no effect on the total creditors. The reason for the restatement was to more accurately present the amount and to be consistent with the treatment of deposits by other companies in this sector.

## 9 PROVISION FOR LIABILITIES AND CHARGES

Deferred tax		
Balance brought forward	91,568	99,996
Movement in the year	(1,058)	(8,428)
Balance carried forward	<b>90,510</b>	<b>91,568</b>

The deferred taxation liability of £90,510 relates to the effects of accelerated capital allowances claimed.

## 10 RESERVES

	Revaluation Reserve	Profit and Loss	2013 Total	2012 Total
	£	£	£	£
Balance at 1 November	441,162	2,303,463	2,744,625	2,828,243
Retained profit for the year	-	76,984	76,984	24,382
Transfer of depreciation on revalued assets	(4,279)	4,279	-	-
Dividends paid in the year (Note 4)	-	(108,000)	(108,000)	(108,000)
Balance at 31 October	<b>436,883</b>	<b>2,276,726</b>	<b>2,713,609</b>	<b>2,744,625</b>

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 11 PENSIONS

#### Defined contribution pension schemes

The company operates a defined contribution pension scheme for certain employees. Contributions payable during the year ended 31 October 2013 amounted to £8,922 (2012 £6,583). At the balance sheet date, contributions amounting to £nil (2012 £333) had not been paid over to the fund and are included within creditors.

The company has no defined benefit pension scheme.

### 12 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 £47,825 during the year ended 31 October 2013 (2012 £52,755). The amount outstanding and due to Perkins Copeland at 31 October 2013 was £21,070 (2012 £24,205) and is included in Creditors. Amounts falling due within one year (Note 8).

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 £3,575 (2012 £3,575) were paid to the directors during the year.

### 13 EARNINGS PER SHARE

	2013	2012
	£	£
Earnings are based on the profit for the year	76,984	24,382
	<hr/>	<hr/>
Earnings per share (basic and diluted)	12.83p	4.06p

Earnings per share have been calculated using 600,000 shares, being the weighted average number of shares for both years. The company has no potential ordinary shares, therefore basic and diluted earnings per share is the same figure.

### 14 ULTIMATE CONTROLLING PARTY

The directors consider that there is no ultimate controlling party.