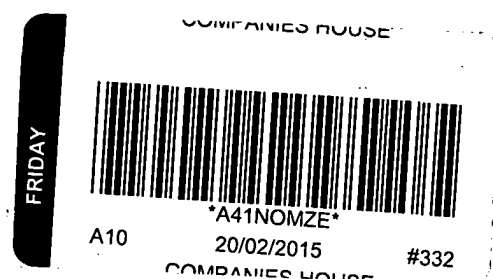


HYDRO HOTEL, EASTBOURNE, PLC

Company Registration No. 00044514 (England and Wales)



Report and Financial Statements

Year ended 31 October 2014

HYDRO HOTEL, EASTBOURNE, PLC

CONTENTS

	Page
Chairman's Statement	2
Strategic Report	3 - 4
Report of the Directors	5 - 6
Independent Auditor's Report	7
Profit and Loss Account	8
Note of Historical Cost Profits and Losses	9
Reconciliation of Movements in Shareholders' Funds	9
Balance Sheet	10
Cash Flow Statement	11
Notes to the Cash Flow Statement	12
Notes to the Financial Statements	13 - 19
General Information	20
Notice of Annual General Meeting	21 - 22

HYDRO HOTEL, EASTBOURNE, PLC

CHAIRMAN'S STATEMENT

Results for year ended 31 October 2014

The turnover for the year ended 31 October 2014 at £3,069,548 was slightly up on the previous year £3,061,278, but with a better yield from sales and well controlled costs, the operating profit came out at £117,330 compared to £90,636. After interest received and corporation tax, the post-tax profits for the year were £94,959 compared to £76,984. While this is not quite sufficient 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.

The level of business achieved during the year ended 31 October 2014 was disappointing after some signs of increased activity during the first 6 months. Trading continues to be tough, although the company is having some success in continuing to improve its margins commensurate with its position in the market. The completion in November 2014 of the South Downs Suite, and another superior double room with enhanced views of the sea and world famous Beachy Head, will provide management with additional product to attract the higher spending private and corporate customers we seek.

Developments since 31 October 2014

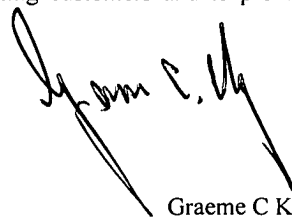
2015 will see the 120th anniversary of the company since the Hydro first opened its doors to the general public in 1895 and with this we are planning a special celebratory weekend event on 26 to 28 of June 2015 to include a gala dinner, talks and a tour of the hotel's and Eastbourne's history. I would encourage shareholders to contact Ian Turnbull, our General Manager, to reserve places.

As the hotel has magnificent sea views it is of course in an exposed position, and a good part of the building is 120 years old. The Victorians built well but the hotel does require ongoing maintenance to keep it in good operating condition. We have therefore commissioned Gould & Company, specialist Chartered Surveyors, to prepare CAD drawings of the hotel's elevation and floor plans, and its outbuildings, together with a topographical survey of the site, and to produce a 5 year rolling maintenance programme, to provide the basis for future maintenance and enhancement plans.

Our Staff

During the year we have taken steps to refresh the board. I mentioned in my statement in the half year accounts that Christopher Bean, a solicitor, had been appointed to the board, and later in the summer we appointed James Tuhey, a specialist in commercial property insurance and management. In accordance with the company's articles, both will be offering themselves for re-appointment at the AGM.

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 continued to keep our costs under constant review. I wish to record our thanks to our management team and all our staff for their dedication to attracting customers and to providing Hydro's renowned quality of service.



Graeme C King, MA, CA
Chairman of the Board

27 January 2015

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 2014 - During the year ended 31 October 2014 the company increased its turnover by 0.3% (2013 increase of 1.7%), and improved Revpar by 1.1% (2013 2.5%). In spite of very competitive pricing conditions continuing to affect food and beverage sales, the company achieved an overall increase in gross profit on those lines of 0.4% (2013 increase of 0.6%). Staff costs and overheads, as a proportion of sales, increased by 0.04% (2013 reduction of 2.7%).

The company's operating profit before interest received and tax increased to £117,330 from the 2013 operating profit of £90,636.

The company's post tax profit was £94,959 (2013 £76,984), but with the company's strong cash position the Board felt able to declare unchanged dividends totalling £108,000 to be payable in 2015.

The company generated cash from ongoing operations of £343,850 (2013 £297,134) and invested £66,076 (2013 £156,060) in new fixed assets which included the company's new website and a new CCTV system. The company created the South Downs Suite out of bedrooms 110 and 111 and reconfigured room 112 to be a superior double room with enhanced sea view. This continues the strategy of appealing to higher spending customers in the leisure market, and discerning customers in the business conference market.

Following the creation of the South Downs Suite, and the Downlands Suite in 2012, and the withdrawal from market of one room due to fire precautions, the hotel will offer 80 bedrooms in future. It is expected that the higher room rate commanded by the suites will more than make up for the reduction in the maximum number of rooms available.

During the year the company paid ordinary dividends in respect of the year ended 31 October 2013 of £108,000 (2013 £108,000). At the year end the company had a satisfactory net current asset position of £750,868 (2013 £648,563).

HYDRO HOTEL, EASTBOURNE, PLC

STRATEGIC REPORT (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.

Demographics - The company's marketing needs to refresh its customer base as the circumstances of existing regular users change over time.

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 mitigated 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 27 January 2015 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 2014.

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.

MATTERS COVERED IN THE STRATEGIC REPORT - The Strategic Report on pages 3 and 4 includes the directors' review of business development and performance during the year ended 31 October 2014, the key performance indicators and the risk factors regularly reviewed, and financial risk management.

FUTURE DEVELOPMENTS - The Chairman's Statement on page 2 covers future developments in the section headed "Developments since 31 October 2014".

DIVIDENDS - An interim dividend at the rate of 6.0p per share has been declared by the directors and paid on 15 January 2015 to shareholders on the register on 19 December 2014 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 7 May 2015 to shareholders on the register on 24 April 2015. The directors do not propose the payment of a final dividend.

DIRECTORS - C P Freeman retires by rotation and being eligible, offers himself for re-election. C J Bean and J D Tuhey were co-opted to the board during the year and so retire, and being eligible offer themselves for 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 2013	31 October 2014
C J Bean LL.B(Hons) - appointed 10 June 2014	-	750 shares
C P Freeman, FCA, CTA(Fellow)	3,500 shares	4,250 shares
G C King, MA, CA	10,000 shares	10,000 shares
J A Martyr, FIH - resigned 27 December 2013	250 shares	n/a
Mrs M R Peck, MA(Oxon) - beneficial	5,111 shares	5,111 shares
- non-beneficial	5,000 shares	5,000 shares
J D Tuhey BA(Hons) Dip BM - appointed 31 July 2014	-	275 shares
I A Turnbull MIH	500 shares	500 shares

I A Turnbull is an executive director, and the other directors are non-executive.

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.

HYDRO HOTEL, EASTBOURNE, PLC

REPORT OF THE DIRECTORS (CONTINUED)

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:

- * 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 27 January 2015 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 2014 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 pages 5 and 6, 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.

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 2014 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.

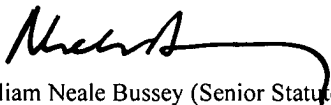
Opinion on other matters prescribed by the Companies Act 2006

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

27 January 2015

HYDRO HOTEL, EASTBOURNE, PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 2014

	<i>Notes</i>	2014 £	2013 £
TURNOVER	<i>2</i>	3,069,548	3,061,278
Cost of sales		(2,763,894)	(2,775,258)
GROSS PROFIT		305,654	286,020
Administrative expenses		(188,324)	(195,384)
OPERATING PROFIT	<i>3</i>	117,330	90,636
BANK INTEREST RECEIVABLE		6,323	9,638
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		123,653	100,274
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	<i>5</i>	(28,694)	(23,290)
PROFIT FOR THE YEAR	<i>10</i>	94,959	76,984
EARNINGS PER SHARE	<i>13</i>	15.83p	12.83p

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

	2014 £	2013 £
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	123,653	100,274
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>127,932</u>	<u>104,553</u>
PROFIT FOR YEAR ON HISTORICAL COST BASIS	<u>99,238</u>	<u>81,263</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2014 £	2013 £
PROFIT FOR THE YEAR	94,959	76,984
Dividends paid (Note 4)	(108,000)	(108,000)
NET REDUCTION IN SHAREHOLDERS' FUNDS	(13,041)	(31,016)
SHAREHOLDERS' FUNDS AT 1 NOVEMBER	3,313,609	3,344,625
SHAREHOLDERS' FUNDS AT 31 OCTOBER	<u>3,300,568</u>	<u>3,313,609</u>

HYDRO HOTEL, EASTBOURNE, PLC

BALANCE SHEET AT 31 OCTOBER 2014

	Notes	2014 £	2013 £
FIXED ASSETS			
Tangible Assets			
Freehold land and buildings	6	1,855,135	1,855,410
Furniture and equipment	6	774,189	900,146
		<u>2,629,324</u>	<u>2,755,556</u>
CURRENT ASSETS			
Stocks		34,323	37,309
Debtors	7	101,994	104,686
Cash at bank and in hand		1,115,351	976,102
		<u>1,251,668</u>	<u>1,118,097</u>
CREDITORS			
Amounts falling due within one year	8	<u>(500,800)</u>	<u>(469,534)</u>
NET CURRENT ASSETS		<u>750,868</u>	<u>648,563</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,380,192</u>	<u>3,404,119</u>
PROVISION FOR LIABILITIES AND CHARGES	9	<u>(79,624)</u>	<u>(90,510)</u>
TOTAL ASSETS LESS LIABILITIES		<u><u>3,300,568</u></u>	<u><u>3,313,609</u></u>
CAPITAL AND RESERVES			
Ordinary Shares - of £1 each allotted, called up & fully paid		600,000	600,000
Revaluation Reserve	10	432,604	436,883
Profit and Loss Account	10	2,267,964	2,276,726
EQUITY SHAREHOLDERS' FUNDS		<u><u>3,300,568</u></u>	<u><u>3,313,609</u></u>

The financial statements were approved and authorised for issue by the Board of directors and were signed on its behalf on 27 January 2015.

G C King

Directors

M R Peck

Company Registration No. 00044514

HYDRO HOTEL, EASTBOURNE, PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2014

	<i>Notes</i>	2014	2013
		£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	<i>1</i>	343,850	297,134
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest received		<u>6,323</u>	<u>9,638</u>
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND FROM SERVICING OF FINANCE		6,323	9,638
TAXATION			
Corporation tax paid		(24,347)	(18,786)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(66,076)	(156,060)
EQUITY DIVIDENDS PAID		<u>(108,000)</u>	<u>(108,000)</u>
NET CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING	<i>2</i>	151,750	23,926
MANAGEMENT OF LIQUID RESOURCES			
Decrease in short-term deposits		<u>250,000</u>	<u>50,000</u>
INCREASE IN CASH	<i>3</i>	<u>401,750</u>	<u>73,926</u>

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE CASH FLOW STATEMENT

	2014 £	2013 £
1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Operating profit	117,330	90,636
Depreciation	201,779	210,404
Loss on disposal of Fixed Assets	1,807	-
Decrease/(Increase) in Stocks	2,986	(3,246)
Decrease in Debtors	2,692	45,307
Increase/(Decrease) in Creditors	17,256	(45,967)
	<u>343,850</u>	<u>297,134</u>
Net cash inflow from operating activities	<u>343,850</u>	<u>297,134</u>

2. ANALYSIS OF CHANGES IN NET FUNDS

	1 November 2013 £	Cash Flows £	31 October 2014 £
Cash at bank and in hand	676,102	389,249	1,065,351
Bank overdraft	(12,501)	12,501	-
	<u>663,601</u>	<u>401,750</u>	<u>1,065,351</u>
Cash	663,601	401,750	1,065,351
Short-term deposits	300,000	(250,000)	50,000
	<u>963,601</u>	<u>151,750</u>	<u>1,115,351</u>

Short-term deposits are included within cash at bank and in hand in the balance sheet. At 31 October 2014 £50,000 was deposited on 6 months' notice (2013 £300,000 on 95 days' notice).

	2014 £	2013 £
3. RECONCILIATION OF MOVEMENT IN CASH TO MOVEMENT IN NET FUNDS		
Increase in cash for the year	401,750	73,926
Cash inflow from short-term deposits	(250,000)	(50,000)
	<u>151,750</u>	<u>23,926</u>
Movement in net funds	151,750	23,926
Net funds at 1 November	963,601	939,675
	<u>1,115,351</u>	<u>963,601</u>
Net funds at 31 October	<u>1,115,351</u>	<u>963,601</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. The Strategic Report 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

A review for impairment is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be appropriate.

(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 expected 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.

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Stock

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

Pensions

Defined contribution pension schemes

Defined contribution schemes are set up for employees and the assets of these schemes are held separately being invested with pension scheme providers. 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:

	2014 £	2013 £
Auditor's remuneration:		
Hydro Hotel, Eastbourne, plc		
Audit fees - Mazars LLP	13,779	12,804
Corporate finance services - Mazars Corporate Finance Limited	4,100	3,967
	17,879	16,771
Depreciation:		
Freehold buildings	12,743	12,598
Furniture and equipment	189,036	197,806
	201,779	210,404

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. OPERATING PROFIT (CONTINUED)	2014 £	2013 £
Directors' remuneration:		
Directors' emoluments	89,252	93,470
Pension contributions	7,718	6,049
	<u>96,970</u>	<u>99,519</u>

The number of directors for whom retirement benefits are accruing under money purchase schemes amounted to 1 (2013 - 1).

Employee information

Staff costs:		
Wages and salaries	1,144,361	1,172,463
Employer's social security costs	67,953	73,673
Employer's pension costs	12,523	8,922
	<u>1,224,837</u>	<u>1,255,058</u>

The average number of employees during the year was:

Management and administrative	Number 11	Number 11
Operational	90	87
	<u>101</u>	<u>98</u>

4. DIVIDENDS	2014 £	2013 £
Paid during the year:-		
First interim dividend 6.0p (2013 - 6.0p)	36,000	36,000
Second interim dividend 12.0p (2013 - 12.0p)	72,000	72,000
	<u>108,000</u>	<u>108,000</u>

Dividends payable:

On 10 December 2014, the following dividends were declared: a first interim dividend of £36,000 (2013: £36,000) which was paid on the 15 January 2015 to shareholders on the register on Friday 19 December 2014, and a second interim dividend of £72,000 (2013: £72,000) for payment on the 7 May 2015 to shareholders on the register on Friday 24 April 2015.

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. TAXATION	2014 £	2013 £
U.K. corporation tax charge at the rate of 20% (2013 rate: 20%)		
For the year	39,581	24,348
Adjustment in respect of previous periods	(1)	-
	<hr/>	<hr/>
Current tax charge (see below)	39,580	24,348
Deferred taxation on origination and reversal of timing differences	(10,886)	(1,058)
	<hr/>	<hr/>
Taxation on profit on ordinary activities	28,694	23,290
	<hr/>	<hr/>
Factors affecting tax charge for period:		
Profit on ordinary activities before taxation	123,653	100,274
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the average rate of corporation tax in the U.K. for the year of 20% (2013 rate: 20%)	24,730	20,055
Income not taxable	-	(20)
Expenses not deductible for tax purposes	1,043	-
Capital allowances for year less than depreciation	13,808	4,313
Adjustment to tax charge in respect of previous period	(1)	-
	<hr/>	<hr/>
Current tax charge for period (see above)	39,580	24,348
	<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 2013	2,000,562	2,362,392	4,362,954
Additions in the year	12,468	64,886	77,354
Disposals in the year	-	(17,841)	(17,841)
	<u>2,013,030</u>	<u>2,409,437</u>	<u>4,422,467</u>
Carried forward at 31 October 2014			
Valuation at 31 October 1990	1,440,000		
Additions at cost to 31 October 2014	573,030		
	<u>2,013,030</u>		
Carried forward at 31 October 2014			
<i>Depreciation</i>			
Brought forward at 1 November 2013	145,152	1,462,246	1,607,398
Charge for the year	12,743	189,036	201,779
Disposals in the year	-	(16,034)	(16,034)
	<u>157,895</u>	<u>1,635,248</u>	<u>1,793,143</u>
Carried forward at 31 October 2014			
Book value at 31 October 2014	<u>1,855,135</u>	<u>774,189</u>	<u>2,629,324</u>
Book value at 1 November 2013	<u>1,855,410</u>	<u>900,146</u>	<u>2,755,556</u>

Included within the book value of Freehold Land and Buildings at 31 October 2014 is £771,773 of non depreciated land.

The book value at 31 October 2014 of the Company's fixed assets on an historic cost basis is:-

	Freehold Land and Buildings £	Furniture and Equipment £	Total £
Cost	1,090,880	2,409,437	3,500,317
Accumulated depreciation	(93,713)	(1,635,248)	(1,728,961)
	<u>997,167</u>	<u>774,189</u>	<u>1,771,356</u>
Net historic book value			

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. DEBTORS	2014 £	2013 £
Amounts falling due within one year:		
Trade debtors	83,255	78,957
Other debtors	2,127	493
Prepayments and accrued income	16,612	25,236
	101,994	104,686
8. CREDITORS		
Amounts falling due within one year:		
Bank overdraft	-	12,501
Trade creditors	156,235	119,596
Corporation tax	39,581	24,348
Other taxation and social security	160,225	157,535
Accruals and deferred income	144,759	155,554
	500,800	469,534
9. PROVISION FOR LIABILITIES AND CHARGES		
Deferred tax		
Balance brought forward	90,510	91,568
Movement in the year	(10,886)	(1,058)
Balance carried forward	79,624	90,510

The deferred taxation liability relates to the effects of accelerated capital allowances claimed.

10. RESERVES	Revaluation Reserve £	Profit and Loss £	2014 Total £	2013 Total £
Balance at 1 November	436,883	2,276,726	2,713,609	2,744,625
Retained profit for the year	-	94,959	94,959	76,984
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	432,604	2,267,964	2,700,568	2,713,609

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. PENSIONS

Defined contribution pension schemes

The company offers defined contribution pension scheme membership to employees. Contributions payable during the year ended 31 October 2014 amounted to £12,523 (2013 £8,922). At the balance sheet date, contributions amounting to £473 (2013 £nil) 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 £52,190 during the year ended 31 October 2014 (2013 £47,825). The amount outstanding and due to Perkins Copeland at 31 October 2014 was £21,010 (2013 £21,070) 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 £4,385 (2013 £3,575) were paid to the directors during the year.

13. EARNINGS PER SHARE

	2014	2013
	£	£
Earnings are based on the profit for the year	94,959	76,984
Earnings per share (basic and diluted)	15.83p	12.83p

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.

HYDRO HOTEL, EASTBOURNE, PLC

GENERAL INFORMATION

Registered Office:	Hydro Hotel Mount Road Eastbourne East Sussex BN20 7HZ
Company Registration No.:	00044514
Company Secretary's Office:	C P Freeman Perkins Copeland 15 Gildredge Road Eastbourne East Sussex BN21 4RA
Share Transfer and Registration Department:	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
Auditor:	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD
Bankers:	National Westminster Bank Plc 96 Terminus Road Eastbourne East Sussex BN21 3LX