

**HYDRO HOTEL, EASTBOURNE, PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 OCTOBER 2017**

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

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# HYDRO HOTEL, EASTBOURNE, PLC

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# HYDRO HOTEL, EASTBOURNE, PLC

## CHAIRMAN'S STATEMENT

**FOR THE YEAR ENDED 31 OCTOBER 2017**

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### Results for year ended 31 October 2017

I am pleased to report on the company's results for the year ended 31 October 2017. Sales for the year totalled £3,524,796, an increase of 9.9% on the £3,208,172 sales for the previous year (2016 2.5% increase). Operating profit for the year was £148,571 (2016 £213,657). After interest receivable and the corporation tax charge, the post-tax profits for the year were £126,720 (2016 £176,184). Taking into account the level of post-tax profits for the year and with the company having strong reserves and assets, the Board decided to maintain the dividend at 21p per share (2016 21p per share) absorbing £126,000 (2016 £126,000).

Whilst the turnover of the company has increased, the hotel's operating costs have been impacted by the cost of acquiring business, with a larger number of hotel bookings made via Online Travel Agencies, and the increase in the National Minimum Wage as from 1 October 2016 and the National Living Wage as from 1 April 2017. The upgrading of the public rooms and bedrooms has also led to an increase in repair costs for the year compared to the previous year.

### Developments since 31 October 2017

Jonathan Owen, our General Manager, has provided the Board with his updated strategy for the hotel for the 2017/18 trading year.

New marketing techniques will continue to be developed during the year to encourage direct bookings at the hotel, including the new online voucher purchasing system which went live in December 2017.

With the public rooms' refurbishment now complete, and the outdoor wedding venue and terrace now available for use, the focus for 2018 is on increasing the number of weddings and other celebrations and functions at the hotel. The cycle of bedroom refurbishments will also continue with 29 bedrooms having been updated in the 2017 financial year, and a further 29 bedrooms to be improved in the 2018 financial year.

Essential repair work to the fabric of the building as identified in the Gould and Company reports will continue to be undertaken in 2018 but every effort will be made to minimise any obscuring of the façade of the building by scaffolding that may be required.

### Our Staff

I would like to congratulate our General Manager, Jonathan Owen, on the work which resulted in the successful accomplishment of 4\* status for the hotel during the year. It is hoped that the enhanced status of the hotel will draw a wider clientele.

I wish also to record our thanks to our management team and all our staff for their dedication to the hotel. All staff continued to deliver the Hydro's renowned quality of service which our customers value so much.

  
Graeme S King, MA, CA  
Chairman of the Board

23 January 2018

# HYDRO HOTEL, EASTBOURNE, PLC

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 OCTOBER 2017

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The directors present the strategic report for the year ended 31 October 2017.

#### Strategy

The company has been operating the 82 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 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 4\* traditional 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.

#### 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 services 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. At 31 October 2017 the company had immediately available cash balances of £1,018,326 and no borrowing (2016 £1,391,644 and nil). Accordingly the liquidity risk is considered to be low.
- **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. As most customers pay by cash, credit or debit card, trade debtors were just 9.8% of net current assets at 31 October 2017 (2016 11.5%) and accordingly the credit risk is considered relatively low.
- **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.

# HYDRO HOTEL, EASTBOURNE, PLC

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2017

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#### 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:

- Turnover
- Revpar (Revenue Achieved Per Available Room)
- Food and beverage sales and gross profit achieved
- Staff costs and overheads, compared to sales
- Cash balances

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

#### Performance in the year ended 31 October 2017

During the year ended 31 October 2017 the company increased its turnover by 9.9% (2016 2.5%), and improved Revpar by 18.7% (2016 7.0%). 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 5.6% (2016 3.7%). Staff costs and overheads, as a proportion of sales, increased by 2.43% (2016 1.2% reduction). Cash balances at 31 October 2017 were £1,018,326 (2016 £1,391,644).

The company's operating profit before interest receivable and tax reduced to £148,571 from the 2016 operating profit of £213,657.

The company's post tax profit was £126,720 (2016 £176,184), and with the company's strong cash position the Board felt able to declare post year end dividends totalling £126,000 to be payable in 2018.

The company generated cash from operating activities of £365,682 (2016 £447,085) and invested £365,273 (2016 £79,184) in new fixed assets which included the construction of the outdoor wedding venue, and the refurbishment of the Garden Suite and 29 bedrooms.

During the year the company paid ordinary dividends in respect of the year ended 31 October 2016 of £126,000 (2016 £108,000). At the year end the company had a satisfactory net current asset position of £815,568 (2016 £976,933).

This report was approved by the Board of directors on 23 January 2018 and signed by order of the Board by



Mrs Sally Gausden BA FCA  
Secretary

23 January 2018

# HYDRO HOTEL, EASTBOURNE, PLC

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 OCTOBER 2017

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The directors submit their report and the audited financial statements for the year ended 31 October 2017.

#### Principal activities

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

#### Share capital

The company's shares are traded on the NEX Exchange.

#### Directors

C J Bean retires by rotation and being eligible, offers himself for re-appointment.

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

C J Bean, LL.B(Hons)	
C P Freeman, FCA, CTA(Fellow)	
Mrs S A Gausden, BA, FCA	(Appointed 13 December 2016)
G C King, MA, CA	
J D Tuhey, BA(Hons) Dip BM	

#### Results and dividends

An interim dividend at the rate of 7.0p per share has been declared by the directors and paid on 18 January 2018 to shareholders on the register on 22 December 2017 amounting to £42,000 and a second interim dividend at 14.0p per share amounting to £84,000 has been declared by the directors for payment on the 3 May 2018 to shareholders on the register on 20 April 2018. The directors do not propose the payment of a final dividend.

#### Directors' interests

The directors' interests in the shares of the company were as stated below:

	2017	2016
C J Bean, LL.B(Hons)	750	750
C P Freeman, FCA, CTA(Fellow)	6,000	5,000
Mrs S A Gausden, BA, FCA	2,000	-
G C King, MA, CA	10,000	10,000
J D Tuhey, BA(Hons) Dip BM	275	275

#### Directors' 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.

#### Future developments

The cycle of bedroom refurbishments will continue in 2018 and further essential repair work to the fabric of the building as identified in the Gould and Company reports will be undertaken in 2018.

The marketing strategies used to promote the Hotel's services will continue to be developed during 2018.

# HYDRO HOTEL, EASTBOURNE, PLC

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 OCTOBER 2017**

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### Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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.

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.

### Matters covered in the strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial risk.

### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the Board of directors on 23 January 2018 and signed by order of the Board by



Mrs S A Gausden, BA, FCA  
Secretary

# HYDRO HOTEL, EASTBOURNE, PLC

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF HYDRO HOTEL, EASTBOURNE, PLC

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#### **Opinion**

We have audited the financial statements of Hydro Hotel, Eastbourne, Plc for the year ended 31 October 2017 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

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

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

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **Revenue recognition**

##### **Key audit matter**

The accounting policy in respect of revenue recognition is set out in the accounting policy note on 'Turnover' on page 14. Under this policy, revenue from the supply of conference and event facilities, as well as hotel rooms, is recognised on the date that those facilities are used. Deposits received are therefore not recognised as turnover until the date of the stay or event.

Reflecting the potential to inappropriately shift the timing and basis of revenue recognition, we have identified revenue recognition as a significant risk that requires special audit consideration.



# HYDRO HOTEL, EASTBOURNE, PLC

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF HYDRO HOTEL, EASTBOURNE, PLC

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#### **Our response**

Our audit procedures included, but were not limited to:

- substantive analytical procedures, enquiry of management, and corroboration of explanations provided;
- testing of deposit and sales transactions immediately either side of year end; and
- substantive sampling procedures

On the basis of our audit procedures, we have not identified any material misstatements in the level of revenue recognised in the financial statements.

#### **Our application of materiality**

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced.

We determined materiality to be £52,872, which is 1.5% of the company's turnover. We believe that this materiality basis provides us with the best assessment of the requirements of the users of the financial statements. This is consistent with the approach taken in the prior period.

#### **Performance materiality**

Performance materiality reflects the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was approximately 75 per cent (2016: 75 per cent) of our planning materiality, namely £39,654 (2016: £36,092).

#### **Reporting threshold**

An amount below which identified misstatements are considered as being clearly trivial. We set the threshold at 3 per cent of planning materiality and therefore report to the Board all uncorrected audit differences in excess of £1,586 (2016: £1,444), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

#### **An overview of the scope of our audit**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

# HYDRO HOTEL, EASTBOURNE, PLC

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF HYDRO HOTEL, EASTBOURNE, PLC

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

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

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

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

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

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

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. 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.


# HYDRO HOTEL, EASTBOURNE, PLC

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF HYDRO HOTEL, EASTBOURNE, PLC

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A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



Mike Bailey (Senior Statutory Auditor)  
for and on behalf of Mazars LLP

23 January 2018

Chartered Accountants  
Statutory Auditor  
Times House  
Throwley Way  
Sutton  
Surrey  
SM1 4JQ

# HYDRO HOTEL, EASTBOURNE, PLC

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 OCTOBER 2017

	Notes	2017 £	2016 £
Turnover	4	3,524,796	3,208,172
Cost of sales	/	(3,177,905)	(2,771,219)
<b>Gross profit</b>		<b>346,891</b>	<b>436,953</b>
Administrative expenses		(198,320)	(223,296)
<b>Operating profit</b>	5	<b>148,571</b>	<b>213,657</b>
Interest receivable and similar income	9	7,866	10,695
<b>Profit before taxation</b>		<b>156,437</b>	<b>224,352</b>
Taxation	10	(29,717)	(48,168)
<b>Profit for the financial year</b>		<b>126,720</b>	<b>176,184</b>
<b>Earnings per share (basic and diluted)</b>	25	<b>21.12p</b>	<b>29.36p</b>

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

	2017 £	2016 £
Profit for the financial year	126,720	176,184
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>126,720</b>	<b>176,184</b>

All profit and total comprehensive income for the year is attributable to the owners of the company.

The notes on pages 14 to 24 are an integral part of these financial statements.

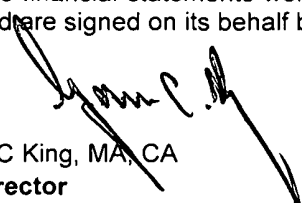
# HYDRO HOTEL, EASTBOURNE, PLC

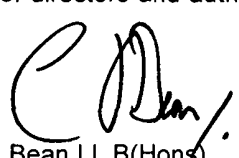
## STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2017

	Notes	2017 £	£	2016 £	£
<b>Fixed assets</b>					
Tangible assets	12		2,634,543		2,459,247
<b>Current assets</b>					
Stocks	14	27,719		33,863	
Debtors	15	112,616		138,621	
Investments	16	200,568		-	
Cash at bank and in hand		1,018,326		1,391,644	
		<u>1,359,229</u>		<u>1,564,128</u>	
<b>Creditors: amounts falling due within one year</b>	17	<u>(543,661)</u>		<u>(587,195)</u>	
<b>Net current assets</b>			815,568		976,933
<b>Total assets less current liabilities</b>			3,450,111		3,436,180
<b>Provisions for liabilities</b>	18		<u>(85,022)</u>		<u>(71,811)</u>
<b>Net assets</b>			<u>3,365,089</u>		<u>3,364,369</u>
<b>Capital and reserves</b>					
Called up share capital	21	600,000		600,000	
Revaluation reserve		419,767		424,046	
Profit and loss reserves		2,345,322		2,340,323	
<b>Total equity</b>			<u>3,365,089</u>		<u>3,364,369</u>

The financial statements were approved by the board of directors and authorised for issue on 23 January 2018 and are signed on its behalf by:

  
G C King, MA, CA  
Director

  
C J Bean LL.B(Hons)  
Director

Company Registration No. 00044514

The notes on pages 14 to 24 are an integral part of these financial statements.

# HYDRO HOTEL, EASTBOURNE, PLC

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 OCTOBER 2017

	Notes	Share capital £	Revaluation reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 November 2015</b>		600,000	428,325	2,267,860	3,296,185
<b>Year ended 31 October 2016:</b>					
Profit and total comprehensive income for the year		-	-	176,184	176,184
Dividends	11	-	-	(108,000)	(108,000)
Transfers		-	(4,279)	4,279	-
<b>Balance at 31 October 2016</b>		600,000	424,046	2,340,323	3,364,369
<b>Year ended 31 October 2017:</b>					
Profit and total comprehensive income for the year		-	-	126,720	126,720
Dividends	11	-	-	(126,000)	(126,000)
Transfers		-	(4,279)	4,279	-
<b>Balance at 31 October 2017</b>		600,000	419,767	2,345,322	3,365,089

The notes on pages 14 to 24 are an integral part of these financial statements.

# HYDRO HOTEL, EASTBOURNE, PLC

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 OCTOBER 2017

	Notes	2017 £	£	2016 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	26	365,682		447,085	
Income taxes paid		(55,669)		(30,271)	
<b>Net cash inflow from operating activities</b>		<b>310,013</b>		<b>416,814</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(365,273)		(79,184)	
Proceeds on disposal of tangible fixed assets		644		488	
Other investments and loans made		(200,568)		-	
Proceeds from other investments and loans		-		500,000	
Interest received		7,866		10,695	
<b>Net cash (used in)/generated from investing activities</b>		<b>(557,331)</b>		<b>431,999</b>	
<b>Financing activities</b>					
Dividends paid		(126,000)		(108,000)	
<b>Net cash used in financing activities</b>		<b>(126,000)</b>		<b>(108,000)</b>	
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(373,318)</b>		<b>740,813</b>	
Cash and cash equivalents at beginning of year		1,391,644		650,831	
<b>Cash and cash equivalents at end of year</b>		<b>1,018,326</b>		<b>1,391,644</b>	
<b>Relating to:</b>					
Cash at bank and in hand		1,018,326		1,391,644	

The notes on pages 14 to 24 are an integral part of these financial statements.

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2017

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### 1 Accounting policies

#### Company information

Hydro Hotel, Eastbourne, plc is a public company limited by shares incorporated in England and Wales. The registered office is Hydro Hotel, Mount Road, Eastbourne, East Sussex, BN20 7HZ.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, under the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) regulations 2008 (SI2008/410).

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

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

#### 1.2 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 1 to 3. 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.

#### 1.3 Turnover

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

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

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.

In the opinion of the directors the operations of the company comprise one class of business, being hoteliers. The company's main operations are all located within one location, Hydro Hotel.

#### 1.4 Tangible fixed assets

The directors adopted FRS 102 for the company's financial statements for the year ended 31 October 2016. The directors took advantage of the transitional arrangements available to use a previous revaluation of freehold properties, plus later additions, as deemed cost, and to continue to depreciate them over their remaining estimated useful lives. The freehold properties were revalued on 31 October 1990 by a firm of Chartered Surveyors on the open market value basis.

Other tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Freehold land	not depreciated
Buildings	100 years
Furniture and equipment	5, 10 or 15 years



# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

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### 1 Accounting policies

(Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### 1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

#### 1.6 Stocks

Stocks are stated at the lower of cost and net realisable value and comprise consumable provisions and stores.

#### 1.7 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand and deposits held at call with banks.

#### 1.8 Financial instruments

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

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

##### **Basic financial assets**

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

##### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each reporting end date.

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

##### **Basic financial liabilities**

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

#### 1.9 Taxation

The tax expense for the year comprises current and deferred tax. Tax currently payable, relating to corporation tax, is calculated on the basis of the tax rates and laws that have been enacted or substantively enacted as at the reporting date.

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

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### 1 Accounting policies

(Continued)

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. Transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future give rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date, that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction, or other event, that resulted in the tax expense.

Deferred income tax assets are recognised only to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts, and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### 1.10 Employee benefits

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

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

#### 1.11 Retirement benefits

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

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### Critical judgements

There are no judgements made by the directors (apart from those involving estimates) that have a significant effect on amounts recognised in the financial statements.

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

### 2 Judgements and key sources of estimation uncertainty

(Continued)

#### Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

#### Depreciation and residual values

The directors have reviewed the asset lives and associated residual values of freehold properties and have concluded that asset lives and residual values are appropriate.

### 3 Segmental reporting

The company has only one operating segment being the operation of a hotel, and one geographical segment being the United Kingdom. The chief operating decision maker is the Board of Directors. The company's operations meet the aggregation criteria set out in paragraph 22 of IFRS 8 'Operating Segments' and as such the company reports the business as one reportable segment.

None of the company's customers individually contribute over 10% of the total revenues.

All of the company's assets and liabilities are located in one geographical market being the United Kingdom.

### 4 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2017 £	2016 £
<b>Turnover</b>		
Sales of rooms, conferences and events	1,352,376	1,176,192
Sales from restaurant and bar	2,172,420	2,031,980
	<u>3,524,796</u>	<u>3,208,172</u>

#### Turnover analysed by geographical market

	2017 £	2016 £
United Kingdom	<u>3,524,796</u>	<u>3,208,172</u>

### 5 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging:		
Depreciation of owned tangible fixed assets	182,298	169,171
Loss on disposal of tangible fixed assets	7,035	7,742
Cost of stocks recognised as an expense	<u>673,930</u>	<u>613,089</u>

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

### 6 Auditor's remuneration

	2017 £	2016 £
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the company's financial statements	16,146	14,507
<b>For other services</b>		
Services relating to corporate finance services	4,100	4,100

### 7 Employees

The average monthly number of persons employed by the company during the year was:

	2017 Number	2016 Number
Management and administrative	11	11
Operational	70	76
	81	87

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	1,391,033	1,211,174
Social security costs	89,027	71,106
Pension costs	16,225	16,273
	1,496,285	1,298,553

### 8 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	43,157	63,016
Company pension contributions to defined contribution schemes	-	4,699
	43,157	67,715

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

### 9 Interest receivable and similar income

	2017 £	2016 £
<b>Interest income</b>		
Interest on bank deposits	6,555	10,695
Interest on short-term deposits	1,311	-
Total income	<u>7,866</u>	<u>10,695</u>

### 10 Taxation

	2017 £	2016 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	16,506	55,669
<b>Deferred tax</b>		
Origination and reversal of timing differences	13,211	(7,501)
Total tax charge	<u>29,717</u>	<u>48,168</u>

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

	2017 £	2016 £
Profit before taxation	<u>156,437</u>	<u>224,352</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.41% (2016: 20.00%)	30,370	44,870
Tax effect of expenses that are not deductible in determining taxable profit	2,938	3,298
Effect of change in corporation tax rate	(3,591)	-
Taxation charge for the year	<u>29,717</u>	<u>48,168</u>

At 31 October 2017, a deferred tax liability of £85,022 (2016 £71,811) has been recognised due to the reversal of timing differences and the additional tax liability expected to arise.

The rate of corporation tax will be reduced to 17% as from April 2020. The overall effect of the changes in the tax rate from 19% to 17%, if these were applied to the deferred tax balance at 31 October 2017, would be to reduce the net deferred tax liability by approximately £9,000.

During the year beginning 1 November 2017, the net reversal of deferred tax liabilities is expected to reduce the corporation tax charge in the accounts for the year by approximately £19,000. This is due to the effect of capital allowances being claimed earlier than depreciation charged.

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

### 11 Dividends

	2017 Total £	2016 Total £
Paid during the year:		
First interim dividend 7.0p (2016 6.0p)	42,000	36,000
Second interim dividend 14.0p (2016 12.0p)	84,000	72,000
	<u>126,000</u>	<u>108,000</u>

On 13 December 2017, the following dividends were declared: a first interim dividend of £42,000 (2016 £42,000) which was paid on 18 January 2018 to shareholders on the register on Friday 22 December 2017, and a second interim dividend of £84,000 (2016 £84,000) for payment on 3 May 2018 to shareholders on the register on Friday 20 April 2018.

### 12 Tangible fixed assets

	Freehold land and buildings £	Furniture and equipment £	Total £
<b>Cost</b>			
At 1 November 2016	2,018,647	2,550,036	4,568,683
Additions	51,032	314,241	365,273
Disposals	-	(18,390)	(18,390)
At 31 October 2017	<u>2,069,679</u>	<u>2,845,887</u>	<u>4,915,566</u>
<b>Depreciation and impairment</b>			
At 1 November 2016	183,477	1,925,959	2,109,436
Depreciation charged in the year	13,424	168,874	182,298
Eliminated in respect of disposals	-	(10,711)	(10,711)
At 31 October 2017	<u>196,901</u>	<u>2,084,122</u>	<u>2,281,023</u>
<b>Carrying amount</b>			
At 31 October 2017	<u>1,872,778</u>	<u>761,765</u>	<u>2,634,543</u>
At 31 October 2016	<u>1,835,170</u>	<u>624,077</u>	<u>2,459,247</u>

Land and buildings with a carrying amount of £1,872,778 were revalued at 31 October 1990 by a firm of Chartered Surveyors not connected with the company on the basis of market value.

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

### 12 Tangible fixed assets

(Continued)

If revalued assets were stated on an historical cost basis rather than at deemed cost, the total amounts included would have been as follows:

	2017 £	2016 £
Cost	1,147,529	1,096,497
Accumulated depreciation	(119,883)	(110,738)
Carrying value	<u>1,027,646</u>	<u>985,759</u>

### 13 Financial instruments

	2017 £	2016 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	81,541	116,112
Instruments measured at fair value through profit or loss	200,568	-
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	<u>332,611</u>	<u>344,529</u>

### 14 Stocks

	2017 £	2016 £
Consumable provisions and stores	<u>27,719</u>	<u>33,863</u>

### 15 Debtors

	2017 £	2016 £
<b>Amounts falling due within one year:</b>		
Trade debtors	80,083	112,730
Other debtors	1,458	3,382
Prepayments and accrued income	31,075	22,509
	<u>112,616</u>	<u>138,621</u>

### 16 Current asset investments

	2017 £	2016 £
Unlisted investments	<u>200,568</u>	<u>-</u>

Unlisted investments consist of short-term deposits in a 6 month business notice account with a managed rate of interest of 1.1%.

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

### 17 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	139,375	148,593
Corporation tax	16,506	55,669
Other taxation and social security	194,544	186,997
Accruals and deferred income	193,236	195,936
	<u>543,661</u>	<u>587,195</u>

### 18 Provisions for liabilities

	Notes	2017 £	2016 £
Deferred tax liabilities	19	<u>85,022</u>	<u>71,811</u>

### 19 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2017 £	Liabilities 2016 £
<b>Balances:</b>		
Accelerated capital allowances	<u>85,022</u>	<u>71,811</u>
<b>Movements in the year:</b>		2017 £
Liability at 1 November 2016		71,811
Charge to profit or loss		16,802
Effect of change in tax rate - profit or loss		<u>(3,591)</u>
Liability at 31 October 2017		<u>85,022</u>



# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

### 20 Retirement benefit schemes

	2017 £	2016 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	16,225	16,273

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

At the balance sheet date, contributions amounting to £557 (2016 £2,572) had not been paid over to the fund and are included within creditors: amounts falling due within one year.

### 21 Share capital

	2017 £	2016 £
<b>Ordinary share capital</b>		
<b>Authorised</b>		
600,000 of £1 each	600,000	600,000
<b>Issued and fully paid</b>		
600,000 of £1 each	600,000	600,000

The ordinary shares provide unrestricted rights to vote, participate in income distributions, participate in capital distributions including on winding up, and are irredeemable.

### 22 Related party transactions

#### Remuneration of key management personnel

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the company are considered to be key management personnel. Total remuneration in respect of these individuals is £136,767 (2016 £106,182).

#### Transactions with related parties

Mr C P Freeman, director, and Mrs S A Gausden, director and company secretary, were partners in Perkins Copeland, Chartered Accountants, up to 31 March 2017. On 1 April 2017 Perkins Copeland merged with Plummer Parsons of which Mr C P Freeman is a consultant and Mrs S A Gausden is Private Client Director. Both firms provided accountancy, taxation, secretarial and registration services to the company costing £49,150 in total during the year ended 31 October 2017 (2016 £48,400 Perkins Copeland). The amount outstanding and due to Plummer Parsons at 31 October 2017 was £24,420 (2016 £23,150 due to Perkins Copeland) and is included in creditors: amounts falling due within one year.

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

### 22 Related party transactions

(Continued)

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.

No guarantees have been given or received.

### 23 Directors' transactions

Dividends totalling £3,464 (2016 - £3,536) were paid in the year in respect of shares held by the company's directors.

### 24 Controlling party

The directors consider that there is no ultimate controlling party.

### 25 Earnings per share

	2017 £	2016 £
Earnings are based on the profit for the year	126,720	176,184
Earnings per share (basic and diluted)	21.12p	29.36p

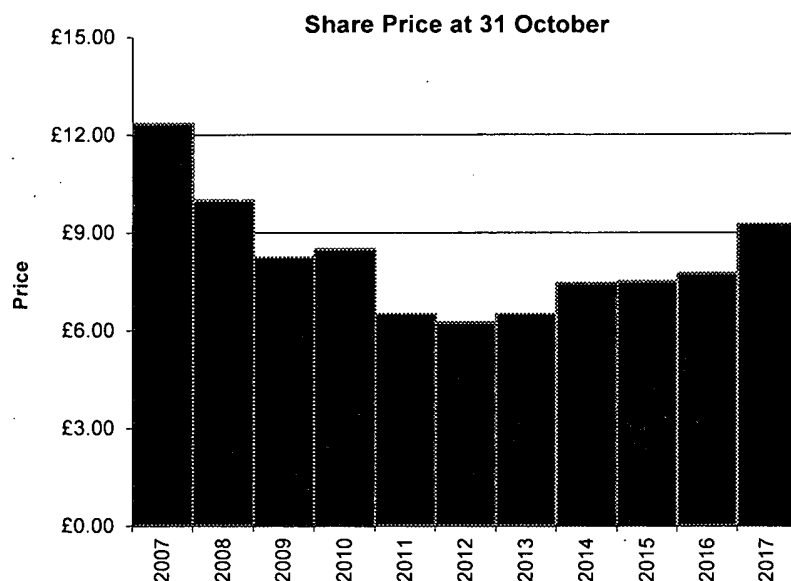
Earnings per share have been calculated using 600,000 shares, being the weighted average number of shares for both years. The company has no potential ordinary shares, therefore basic and diluted earnings per share is the same figure.

### 26 Cash generated from operations

	2017 £	2016 £
Profit for the year after tax	126,720	176,184
<b>Adjustments for:</b>		
Taxation charged	29,717	48,168
Interest receivable and similar income	(7,866)	(10,695)
Loss on disposal of tangible fixed assets	7,035	7,742
Depreciation and impairment of tangible fixed assets	182,298	169,171
<b>Movements in working capital:</b>		
Decrease/(increase) in stocks	6,144	(4,674)
Decrease/(increase) in debtors	26,005	(9,658)
(Decrease)/increase in creditors	(4,371)	70,847
<b>Cash generated from operations</b>	<b>365,682</b>	<b>447,085</b>

# HYDRO HOTEL, EASTBOURNE, PLC

## GENERAL INFORMATION



\*Dividends p 27.0 27.0 27.0 27.0 18.0 18.0 18.0 18.0 18.0 21.0 #21.0

\* Normal dividends declared for the year, excluding special distributions

# Includes the dividends declared in December 2017

Registered Office:

Hydro Hotel  
Mount Road  
Eastbourne  
East Sussex  
BN20 7HZ

Auditor:

Mazars LLP  
Times House  
Throwley Way  
Sutton  
Surrey  
SM1 4JQ

Company Registration No:

00044514

Company Secretary's

Office:

Mrs S A Gausden  
Plummer Parsons  
18 Hyde Gardens  
Eastbourne  
East Sussex  
BN21 4PT

Bankers:

National Westminster Bank Plc  
96 Terminus Road  
Eastbourne  
East Sussex  
BN21 3LX

Share Transfer and Registration

Department:

Neville Registrars Limited  
Neville House  
18 Laurel Lane  
Halesowen  
West Midlands  
B63 3DA