

**STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2019
FOR
THE ARDEN HOTEL LIMITED**



**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

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THE ARDEN HOTEL LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2019**

DIRECTORS:

D J Gardner
S J M Gardner
J E Gardner
Mrs R M Gardner
P L Bretherton

SECRETARY:

D J Gardner

REGISTERED OFFICE:

Coventry Road
Bickenhill
Solihull
West Midlands
B92 0EH

REGISTERED NUMBER:

03707886 (England and Wales)

AUDITORS:

Bene Consulting Limited
48 Durrell Drive
Rugby
Warwickshire
CV22 7GW

BANKERS:

Barclays Bank Plc
One Snowhill
Snow Hill Queensway
Birmingham
West Midlands
B4 6GN

SOLICITORS:

Squire Sanders (UK) LLP
Rutland House
148 Edmund Street
Birmingham
West Midlands
B3 2JR

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

The directors present their strategic report for the year ended 30 June 2019.

REVIEW OF BUSINESS

Following 6 consecutive years of strong growth, this year we suffered a slight reduction in sales of approximately 3.0%. In many respects, it was an unusual year in terms of demand ebbing and flowing, with the summer months enjoying strong performance in contrast to our traditionally stronger months. It would appear that many of our local competitors witnessed similar unusual patterns, and like us, struggled to identify the exact cause.

The bulk of the reduction in sales can be attributed to a fall in accommodation sales (although conference & banqueting suffered a proportionately larger fall). Encouragingly, contrary to previous periods and despite the fall in accommodation and conference & banqueting (which brings visitors to site), food and liquor sales remained relatively constant (in fact grew slightly).

The growth of sales derived from electronic channels appears to have plateaued, although account for a large proportion of our accommodation sales. We therefore continue to invest in our IT infrastructure and look to join new channels which become available, exploiting our seamless booking integration. That said, we are still actively trying to drive direct sales via our booking engine and as such we continue to develop our new website and Direct Booking Manager, which we launched during the year. Website traffic has increased, especially via mobile devices. We live in the era of social media and we actively manage our online reputation.

The wider area continues to prosper, with visitor numbers to both the NEC site and Airport increasing. Longer term opportunities such as HS2, The Commonwealth Games 2022 and UK Central continue to present themselves and we feel well placed to capitalise on them. Conversely, we are mindful that local competition continues to grow in both number, quality and variety of offering - no one can stand still.

Total overheads before repairs and renewals increased by 3.7% year on year despite the fall in sales. This is not unusual, given a large proportion of our costs are essentially fixed costs. We are aware that it is essential to continue to invest heavily in the fabric of the building and the product we offer our customers, and therefore repairs and renewals expenditure increased by 36.9%.

In summary, following on from 6 years of constant growth, a reduction in sales at some point was inevitable, and in view of us returning to growth post year end, hopefully just a short-term blip. We continue to consolidate our position of being able to make the most of any opportunities which may come our way.

KPIs

The directors believe that the performance markers under the Review of Business above, provide a measure of how the company performed against its primary objectives. Sales growth is a key performance indicator, which encompasses customer service as well as progress towards long term strategic goals.

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

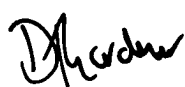
PRINCIPAL RISKS AND UNCERTAINTIES

Risk management is overseen by the board of directors and is constantly reviewed to comply with statutory regulations and best practice.

The principal general economic risks include the impact of BREXIT, the stability of travel companies with whom the company take bookings, wage legislation, availability of hotel staff and duties on food and drinks. The principal IT risks include online presence and the security of guest information.

The directors believe that the hotel has little exposure in relation to credit, cashflow and liquidity risk. It shares similar competitive risks to other hotels in the area who suffer price fluctuations caused by variations in demand stimulated by local events and flight patterns at the local airport.

ON BEHALF OF THE BOARD:



D J Gardner - Director

12 December 2019

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2019**

The directors present their report with the financial statements of the company for the year ended 30 June 2019.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of a hotel, restaurant and leisure club.

DIVIDENDS

An interim dividend of £16.7224 per share on the Ordinary £1 shares was paid on 20 December 2018. The directors recommend a final dividend of £16.7224 per share, making a total of £33.4448 per share for the year ended 30 June 2019.

The final dividend on the Ordinary £1 shares of £16.7224 per share was paid on 29 June 2019.

Dividends on the Redeemable Preference £1 shares accrue on a daily basis.

During the year to 30 June 2019, interim dividends on the Redeemable Preference £1 shares have been paid quarterly on 30 September 2018, 31 December 2018 and 31 March 2019 totalling £11,345, with £3,750 reserved for the final dividend which was unpaid as at 30 June 2019.

FUTURE DEVELOPMENTS

The directors believe that the future developments lie in strengthening the sales growth of the company, mainly by continuous investment in the IT infrastructure such as the new website and the newly developed Direct Booking Manager, but also by finding new and innovative ways of attracting visitors.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 July 2018 to the date of this report.

D J Gardner
S J M Gardner
J E Gardner
Mrs R M Gardner
P L Bretherton

FINANCIAL POSITION

The company's balance sheet at 30 June 2019 shows net current liabilities of £211,384 (2018: net current liabilities of £62,670).

The directors have considered the financial position of the company both now and for the future and they consider that it remains appropriate for the company to prepare its accounts on a going concern basis.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2019**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Benec Consulting Limited, are deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

ON BEHALF OF THE BOARD:



D J Gardner - Director

12 December 2019

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE ARDEN HOTEL LIMITED

Opinion

We have audited the financial statements of The Arden Hotel Limited (the 'company') for the year ended 30 June 2019 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, 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 Financial Reporting Standard 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 30 June 2019 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.

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 Auditors' 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, 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.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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.

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE ARDEN HOTEL LIMITED

Matters on which we are required to report by exception

In the 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 Report of the Directors.

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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page five, 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 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.

Auditors' 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 a Report of the Auditors 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.

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. This description forms part of our Report of the Auditors.

Use of our report

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 a Report of the Auditors 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.



Sarah Flint BSc FCA (Senior Statutory Auditor)
for and on behalf of Bennee Consulting Limited
48 Durrell Drive
Rugby
Warwickshire
CV22 7GW

12 December 2019

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	30.6.19 £	30.6.18 £
TURNOVER	3	6,118,455	6,308,812
Cost of sales		859,204	877,921
GROSS PROFIT		5,259,251	5,430,891
Administrative expenses		4,330,621	4,088,504
OPERATING PROFIT	5	928,630	1,342,387
Interest receivable and similar income		3,048	1,430
		931,678	1,343,817
Interest payable and similar expenses	6	66,471	58,051
PROFIT BEFORE TAXATION		865,207	1,285,766
Tax on profit	7	211,427	287,745
PROFIT FOR THE FINANCIAL YEAR		653,780	998,021
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		653,780	998,021

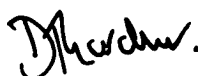
The notes form part of these financial statements

THE ARDEN HOTEL LIMITED (REGISTERED NUMBER: 03707886)

**BALANCE SHEET
30 JUNE 2019**

	Notes	30.6.19 £	30.6.18 £
FIXED ASSETS			
Tangible assets	9	6,997,231	7,132,799
Investments	10	50,000	50,000
		<u>7,047,231</u>	<u>7,182,799</u>
CURRENT ASSETS			
Stocks	11	18,690	24,380
Debtors	12	299,823	202,125
Cash at bank and in hand		604,345	927,116
		<u>922,858</u>	<u>1,153,621</u>
CREDITORS			
Amounts falling due within one year	13	<u>1,134,242</u>	<u>1,216,291</u>
NET CURRENT LIABILITIES		<u>(211,384)</u>	<u>(62,670)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,835,847</u>	<u>7,120,129</u>
CREDITORS			
Amounts falling due after more than one year	14	(3,548,014)	(3,701,347)
PROVISIONS FOR LIABILITIES	18	<u>(46,617)</u>	<u>(31,346)</u>
NET ASSETS		<u><u>3,241,216</u></u>	<u><u>3,387,436</u></u>
CAPITAL AND RESERVES			
Called up share capital	19	23,920	23,920
Capital redemption reserve	20	5,980	5,980
Retained earnings	20	<u>3,211,316</u>	<u>3,357,536</u>
SHAREHOLDERS' FUNDS		<u><u>3,241,216</u></u>	<u><u>3,387,436</u></u>

The financial statements were approved by the Board of Directors on 12 December 2019 and were signed on its behalf by:



D J Gardner - Director

The notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

	Called up share capital £	Retained earnings £	Capital redemption reserve £	Total equity £
Balance at 1 July 2017	23,920	3,559,515	5,980	3,589,415
Changes in equity				
Dividends	-	(1,200,000)	-	(1,200,000)
Total comprehensive income	-	998,021	-	998,021
Balance at 30 June 2018	<u>23,920</u>	<u>3,357,536</u>	<u>5,980</u>	<u>3,387,436</u>
Changes in equity				
Dividends	-	(800,000)	-	(800,000)
Total comprehensive income	-	653,780	-	653,780
Balance at 30 June 2019	<u>23,920</u>	<u>3,211,316</u>	<u>5,980</u>	<u>3,241,216</u>

The notes form part of these financial statements

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	30.6.19 £	30.6.18 £
Cash flows from operating activities			
Cash generated from operations	1	1,208,903	1,776,126
Interest paid		(51,376)	(49,134)
Finance costs paid		(15,095)	(8,917)
Tax paid		(303,039)	(299,542)
Net cash from operating activities		839,393	1,418,533
Cash flows from investing activities			
Purchase of tangible fixed assets		(211,879)	(47,591)
Interest received		3,048	1,430
Net cash from investing activities		(208,831)	(46,161)
Cash flows from financing activities			
Loan repayments in year		(153,333)	(153,333)
Equity dividends paid		(800,000)	(1,200,000)
Net cash from financing activities		(953,333)	(1,353,333)
(Decrease)/increase in cash and cash equivalents		(322,771)	19,039
Cash and cash equivalents at beginning of year	2	927,116	908,077
Cash and cash equivalents at end of year	2	604,345	927,116

The notes form part of these financial statements

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	30.6.19	30.6.18
	£	£
Profit before taxation	865,207	1,285,766
Depreciation charges	347,447	355,310
Finance costs	66,471	58,051
Finance income	(3,048)	(1,430)
	<u>1,276,077</u>	<u>1,697,697</u>
Decrease/(increase) in stocks	5,690	(566)
(Increase)/decrease in trade and other debtors	(97,698)	35,210
Increase in trade and other creditors	24,834	43,785
	<u>1,208,903</u>	<u>1,776,126</u>
Cash generated from operations		

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 30 June 2019

	30.6.19	1.7.18
	£	£
Cash and cash equivalents	<u>604,345</u>	<u>927,116</u>

Year ended 30 June 2018

	30.6.18	1.7.17
	£	£
Cash and cash equivalents	<u>927,116</u>	<u>908,077</u>

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1. **STATUTORY INFORMATION**

The Arden Hotel Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. **ACCOUNTING POLICIES**

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The accounting policies have been consistently applied to all years in the preparation of these financial statements.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed as a separate accounting policy.

Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of the property; fixtures, fittings, plant and equipment; and computer equipment, and note 2 for the useful economic lives for each class of assets.

(ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade debtors. When assessing impairment of trade debtors, management considers factors including the current credit rating of the debtor, the aging profile of debtors and historical experience. See note 12 for the net carrying amount of debtors and any significant impairment provision.

(iii) Commissions

The company makes an estimate of the payable value within accruals. When assessing the estimate of commissions payable, management considers factors including the due date of commissions payable, the credit terms of the suppliers and historical experience of the suppliers. See note 13 for the carrying amount of total accruals.

Turnover

Turnover is measured at the fair value of the consideration received or receivable in respect of hotel services, excluding discounts, rebates and value added tax.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- 2% on cost
Fixtures, fittings, plant and equipment	- 25% on cost and 15% on reducing balance
Computer equipment	- 25% on cost

No depreciation is provided on the land element of freehold property.

Goodwill included in Freehold property is depreciated at 5% on cost. The directors believe this is the most appropriate rate to use given the nature of the business. Goodwill is now fully depreciated at the year end.

Impairment

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

When it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Tangible assets are derecognised on disposal or when no future economic benefits are expected.

Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

The stock is used on a first in - first out basis.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019

2. ACCOUNTING POLICIES - continued

Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost using the effective interest rate method. Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at a cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019

2. ACCOUNTING POLICIES - continued

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event; it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the balance sheet and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised in finance costs in profit or loss in the period it arises.

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Going concern

The company's balance sheet at 30 June 2019 shows net current liabilities of £211,384 (2018: net current liabilities of £62,670).

The directors have considered a period of 12 months following the year end and the company has adequate resources to continue to meet its liabilities as they fall due for the foreseeable future and they consider that it remains appropriate for the company to prepare its accounts on a going concern basis.

3. TURNOVER

The turnover and profit before taxation are attributable to the principal activities of the company.

An analysis of turnover by class of business is given below:

	30.6.19	30.6.18
	£	£
Hospitality & leisure services	6,118,455	6,308,812
	<u>6,118,455</u>	<u>6,308,812</u>

An analysis of turnover by geographical market is given below:

	30.6.19	30.6.18
	£	£
United Kingdom	6,118,455	6,308,812
	<u>6,118,455</u>	<u>6,308,812</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019

4. EMPLOYEES AND DIRECTORS

	30.6.19	30.6.18
	£	£
Wages and salaries	1,994,826	1,951,426
Social security costs	116,906	114,500
Other pension costs	25,606	13,946
	<u>2,137,338</u>	<u>2,079,872</u>

The average number of employees during the year was as follows:

	30.6.19	30.6.18
Management and administration staff	3	3
Restaurant and hotel staff	136	138
	<u>139</u>	<u>141</u>

	30.6.19	30.6.18
	£	£
Directors' remuneration	147,089	148,808
Directors' pension contributions to money purchase schemes	5,180	2,346
	<u>152,269</u>	<u>151,154</u>

The number of directors to whom retirement benefits were accruing was as follows:

	2	2
Money purchase schemes	<u>2</u>	<u>2</u>

It is considered that the directors are the key personnel and accordingly the remuneration of key personnel is the remuneration as disclosed for the directors.

5. OPERATING PROFIT

The operating profit is stated after charging:

	30.6.19	30.6.18
	£	£
Equipment rental	33,185	23,316
Depreciation - owned assets	347,447	355,310
Auditors' remuneration	5,200	5,250
	<u>385,832</u>	<u>383,876</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	30.6.19	30.6.18
	£	£
Bank interest	51,376	49,134
Dividends - preference shares	15,095	8,917
	<u>66,471</u>	<u>58,051</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019

7. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	30.6.19 £	30.6.18 £
Current tax:		
UK corporation tax	196,168	303,051
Previous year adjustments	(12)	(8)
Total current tax	196,156	303,043
Deferred tax	15,271	(15,298)
Tax on profit	<u>211,427</u>	<u>287,745</u>

UK corporation tax has been charged at 19% (2018 - 19%).

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	30.6.19 £	30.6.18 £
Profit before tax	<u>865,207</u>	<u>1,285,766</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	164,389	244,296
Effects of:		
Expenses not deductible for tax purposes	2,868	1,694
Depreciation in excess of capital allowances	28,911	57,061
Adjustments to tax charge in respect of previous periods	(12)	(8)
Movement on deferred tax	15,271	(15,298)
Total tax charge	<u>211,427</u>	<u>287,745</u>

Factors that may affect future tax charges:

The company expects to be able to claim capital allowances in excess of depreciation in the future and it is probable that timing differences will not reverse in the foreseeable future. The Finance Bill 2016 announced measures to reduce the corporation tax rate from 19% to 17% effective from 1 April 2020 and this will impact on the company's future tax charge.

8. DIVIDENDS

	30.6.19 £	30.6.18 £
Ordinary shares of £1 each		
Final	400,000	400,000
Interim dividends	400,000	800,000
	<u>800,000</u>	<u>1,200,000</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019

9. TANGIBLE FIXED ASSETS

	Freehold property £	Fixtures, fittings, plant and equipment £	Computer equipment £	Totals £
COST				
At 1 July 2018	11,254,245	2,731,542	206,519	14,192,306
Additions	22,660	163,125	26,094	211,879
At 30 June 2019	11,276,905	2,894,667	232,613	14,404,185
DEPRECIATION				
At 1 July 2018	4,320,117	2,559,230	180,160	7,059,507
Charge for year	232,537	99,605	15,305	347,447
At 30 June 2019	4,552,654	2,658,835	195,465	7,406,954
NET BOOK VALUE				
At 30 June 2019	6,724,251	235,832	37,148	6,997,231
At 30 June 2018	6,934,128	172,312	26,359	7,132,799

Included in cost of land and buildings is freehold land of £1,900,000 (2018 - £1,900,000) which is not depreciated.

Included in land and buildings is goodwill with a cost of £1,500,000 and accumulated depreciation of £1,500,000 (2018 - accumulated depreciation of £1,425,000).

The carrying value of the freehold property has been held as security for the bank loan by means of a legal charge - refer to note 14 for full details.

10. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 July 2018 and 30 June 2019	50,000
NET BOOK VALUE	
At 30 June 2019	50,000
At 30 June 2018	50,000

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019

10. FIXED ASSET INVESTMENTS - continued

The company's investments at the Balance Sheet date in the share capital of companies include the following:

Arden Restaurant & Hotel Limited

Registered office: United Kingdom

Nature of business: Dormant

Class of shares:	% holding		
Ordinary	79.55		
		30.6.19	30.6.18
		£	£
Aggregate capital and reserves		<u>50,000</u>	<u>50,000</u>

Kelube Limited

Registered office: United Kingdom

Nature of business: Dormant

Class of shares:	% holding		
Ordinary	100.00		
		30.6.19	30.6.18
		£	£
Aggregate capital and reserves		<u>1,000</u>	<u>1,000</u>

11. STOCKS

	30.6.19	30.6.18
	£	£
Stocks	<u>18,690</u>	<u>24,380</u>

The amount of stock recognised as an expense in cost of sales during the year was £859,204 (2018: £877,921).

Stock of £18,690 (2018: £24,380) has been held as security for the bank loan by means of a debenture securing fixed and floating charges - refer to note 14 for full details.

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30.6.19	30.6.18
	£	£
Trade debtors	298,603	200,925
Prepayments and accrued income	<u>1,220</u>	<u>1,200</u>
	<u>299,823</u>	<u>202,125</u>

Trade debtors of £298,603 (2018: £200,925) have been held as security for the bank loan by means of a debenture securing fixed and floating charges - refer to note 14 for full details.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30.6.19	30.6.18
	£	£
Bank loans and overdrafts (see note 15)	153,333	153,333
Trade creditors	381,090	332,509
Amounts owed to group undertakings	50,000	50,000
Tax	196,168	303,051
Social security and other taxes	215,714	222,236
Other creditors	-	1,664
Accruals and deferred income	137,937	153,498
	<u>1,134,242</u>	<u>1,216,291</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	30.6.19	30.6.18
	£	£
Bank loans (see note 15)	1,648,334	1,801,667
Preference shares (see note 15)	1,899,680	1,899,680
	<u>3,548,014</u>	<u>3,701,347</u>

15. LOANS

An analysis of the maturity of loans is given below:

	30.6.19	30.6.18
	£	£
Amounts falling due within one year or on demand:		
Bank loans	<u>153,333</u>	<u>153,333</u>
Amounts falling due between one and two years:		
Bank loans	<u>1,648,334</u>	<u>153,333</u>
Amounts falling due between two and five years:		
Bank loans	-	1,648,334
Preference shares	<u>1,899,680</u>	<u>1,899,680</u>
	<u>1,899,680</u>	<u>3,548,014</u>

The bank loan is repayable by quarterly instalments, with the final repayment of £1,571,667 being due in March 2021. Interest on the bank loan is chargeable at 2.00% over Base Rate.

Details of shares shown as liabilities are as follows:

Allotted, issued and fully paid:		Nominal value:	30.6.19	30.6.18
Number:	Class:		£	£
1,899,680	Redeemable Preference	£1	<u>1,899,680</u>	<u>1,899,680</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019

15. **LOANS - continued**

The company pays quarterly dividends in arrears on the redeemable preference shares at a rate equal to LIBOR and the preference dividends accrue on a daily basis.

The redeemable preference shareholders are entitled to receive notice of and to attend and speak, but not vote at any general meeting of the company.

16. **SECURED DEBTS**

The following secured debts are included within creditors:

	30.6.19 £	30.6.18 £
Bank loans	1,801,667	1,955,000

The bank loan is secured by: a legal charge over the property at The Arden Hotel Limited, Coventry Road, Bickenhill, Solihull; a legal charge over the land adjoining The Arden Hotel Limited, Coventry Road, Bickenhill, Solihull; and by a debenture securing fixed and floating charges over the company's assets.

17. **FINANCIAL INSTRUMENTS**

The carrying amount for each category of financial instrument is as follows:

	30.6.19 £	30.6.18 £
Financial assets that are debt instruments measured at amortised cost		
Trade debtors	298,603	200,925
Other debtors	1,220	1,200
	<u>299,823</u>	<u>202,125</u>

	30.6.19 £	30.6.18 £
Financial liabilities measured at amortised cost		
Trade creditors	381,090	332,509
Other creditors	599,819	730,449
Bank loans	1,801,667	1,955,000
Preference shares	1,899,680	1,899,680
	<u>4,682,256</u>	<u>4,917,638</u>

18. **PROVISIONS FOR LIABILITIES**

	30.6.19 £	30.6.18 £
Deferred tax	<u>46,617</u>	<u>31,346</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019

18. PROVISIONS FOR LIABILITIES - continued

	Deferred tax £
Balance at 1 July 2018	31,346
Provided during year	15,271
Balance at 30 June 2019	<u>46,617</u>

The provision for deferred taxation has not been discounted as it is the directors' belief that it will have no material impact upon the financial statements.

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal	30.6.19	30.6.18
Number:	Class:	value:	£	£
23,920	Ordinary	£1	<u>23,920</u>	<u>23,920</u>

20. RESERVES

	Retained earnings £	Capital redemption reserve £	Totals £
At 1 July 2018	3,357,536	5,980	3,363,516
Profit for the year	653,780		653,780
Dividends	(800,000)		(800,000)
At 30 June 2019	<u>3,211,316</u>	<u>5,980</u>	<u>3,217,296</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019

21. RELATED PARTY DISCLOSURES

The 1,899,680 redeemable preference shares of £1 each which were issued during the year ended 30 June 2016, are all owned by 3 of the directors.

During the year ended 30 June 2019, quarterly interim dividends on the redeemable preference shares have been paid on 30 September 2018, 31 December 2018 and 31 March 2019, with a final dividend reserved but unpaid on 30 June 2019.

The total dividends paid and reserved on the redeemable preference shares in the year amounted to £15,095 (2018: £8,917).

The total dividends paid on the ordinary shares in the year amounted to £800,000 (2018: £1,200,000) which were paid to the directors and the trustees of the Gardner Settlement.

During the year, family members of the directors were paid wages and salaries of £32,116 (2018: £36,133).

At 30 June 2019, the following amount was owed to a related party:

	30.6.19	30.6.18
	£	£
Arden Restaurant & Hotel Limited	50,000	50,000

The amount owed is interest free and repayable on demand.

22. GENERAL INFORMATION

The Arden Hotel Limited is a private limited company incorporated in England and limited by shares.

The company has its principal place of business and registered office at Coventry Road, Bickenhill, Solihull, West Midlands, B92 0EH.

The financial statements are presented in Sterling (£), which is also the functional currency of the company.

The principal activities of the company in the year under review were those of a hotel, restaurant and leisure club.