

**MORGANS HOTELS LTD**  
**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2021**

Bevan Buckland LLP  
Chartered Accountants  
And Statutory Auditors  
Ground Floor Cardigan House  
Castle Court  
Swansea Enterprise Park  
Swansea  
SA7 9LA

**CONTENTS OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Strategic Report</b>	<b>2</b>
<b>Report of the Directors</b>	<b>5</b>
<b>Report of the Independent Auditors</b>	<b>6</b>
<b>Income Statement</b>	<b>9</b>
<b>Other Comprehensive Income</b>	<b>10</b>
<b>Balance Sheet</b>	<b>11</b>
<b>Statement of Changes in Equity</b>	<b>12</b>
<b>Cash Flow Statement</b>	<b>13</b>
<b>Notes to the Cash Flow Statement</b>	<b>14</b>
<b>Notes to the Financial Statements</b>	<b>15</b>

**MORGANS HOTELS LTD**  
**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2021**

<b>DIRECTORS:</b>	M W Morgan J D Hughes C E Morgan L Morgan
<b>REGISTERED OFFICE:</b>	Morgans Hotel Limited Somerset Place Swansea SA1 1RR
<b>REGISTERED NUMBER:</b>	04201688 (England and Wales)
<b>AUDITORS:</b>	Bevan Buckland LLP Chartered Accountants And Statutory Auditors Ground Floor Cardigan House Castle Court Swansea Enterprise Park Swansea SA7 9LA

**MORGANS HOTELS LTD (REGISTERED NUMBER: 04201688)**

**STRATEGIC REPORT  
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

The directors present their strategic report for the year ended 30 September 2021.

**STRATEGIC REPORT  
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

**REVIEW OF BUSINESS**

**Strategy and Objectives**

Founded in April 2001, Morgans Hotel Limited owns and operates several boutique hotels, bars and restaurant in Wales. It caters for the needs of the business and public, offering dining, bar, meeting facilities, weddings, functions and accommodation.

The hotel prides itself on being one of the leading independent hotel operators in the city of Swansea, offering a unique experience to its guests.

As the city of Swansea continues to expand it offering the business looks to increase its hotel operations by investing in our real estate and hotel projects in the city.

**Business Model**

The hotel is managed by a team of senior management who report to a board of directors at a business level, enabling a fluid and agile management structure, which delivers the quality of product, value and service to our patrons.

The management team has seen significant change over the last 24 months since the business was first affected by the COVID-19 pandemic. These changes have allowed the business to be better placed with its senior management team for the ever-changing market conditions.

**Business Review & KPI's**

The results below continue to show the impact of the restrictions imposed on hospitality businesses during the pandemic. The main hotel continued to open for key workers at the start of the financial period extending to working within the local and firebreak lockdowns adhering to social distancing and restrictions on travel, all of which have directly affected these results.

A large increase in Gross Profit during the year due to a restructuring of the Cost of Sales has allowed the business to control its performance. The business has strong financial instruments seeing a large increase in cash at the bank on the previous year leaving the business well placed to mitigate any further restrictions.

- Turnover 9% decrease on last year - attributed to pandemic
- Operating Profit/Loss Loss of £21k (Loss of £232k last year)
- Return on Capital Employed -0.1% (against 1.6% last year)
- Staff back up to full staffing moving into FY21/22
- Investment Over £750k invested in capital assets during the year
- Cash Cash balances increased by over £1.2m
- Room Occupancy Room occupancy at 52% yearly average, despite pandemic

During the year the business has continued to invest in its real estate sustaining its refurbishment programme of existing properties alongside purchasing assets that allow the business to grow.

'The Georgian' which is a separate offering of an independent 12-bedroom hotel was unable to open as planned in April 2020 due to Covid-19 restrictions. It is now open, having had a successful soft launch with a number of VIP guests using the hotel throughout 2021.

Morgans Hotel has enough pipeline building projects in place allowing the business to grow from what will be 54 bedrooms once 'The Georgian' has opened to over 110 bedrooms within the next 5 years which is being reviewed constantly

This expansion will mirror the investment made by my local & central government, and will only amplify our position in the city.

The purchase of Pilkington Glass factory within the year for redevelopment into a surface car park further enhances our offering to our customers with over 100 car parking spaces available for customers and pay & display use.

Parc Teifi is a site of 12 holiday homes in West Wales. These have been mothballed for a number of years following the restructuring of the businesses within the group in 2016. With the COVID-19 restrictions reducing foreign travel during 2021, the business has taken the decision to open the site to guests taking advantage of staycation travel, which has had positive results.

**Sales**

Sales are down 9% year on year, with revenue of £964k showing the lasting effects of COVID-19. A lot of events and key dates were moved from the prior year to clear a backlog which included the cancellation of our key event Beaujolais Day 2020

**Costs**

The business has had a number of reliefs during the year, the most notable is business rates relief of 100% reduction which has been a fantastic help to the business from the local authority.

**STRATEGIC REPORT  
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

Rising raw material costs are a concern for the business as inflation continues to rise increasing our cost of sales and reducing profitability.

**Future Plans**

Although this year has been a continuing challenge, the management team are optimistic about the future.

The business is well placed to capitalise on the growing demand for hotel rooms in the city with good liquidity and can withstand any future restrictions.

As we exit the fallout of the pandemic, the business looks to adjust its offering by focusing on its core business.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The management of the company's business and execution of strategy are subject to a number of risks. Key business risks principally relate to the economic conditions, market competition and the retention of suitably qualified employees.

Business risks are reviewed regularly by the director and appropriate processes are put in place to monitor and mitigate their impact.

The biggest risk to the business at present is a third wave of the COVID-19 pandemic. The UK is at risk of an increased infection rate as we move into the winter months of 2021.

The hotel is lean enough to be able to adapt to the changes with the climate as we are able to open to key workers. We have low staff numbers, keeping costs to a minimum.

**Financial risk management**

The business is well placed to react to any changes in the marketplace due to the strong reserves of the company.

The company has a strong cash balance, in addition to a large intercompany balance from related parties, which can be recalled at any point. The business has no borrowings and all assets are unencumbered leaving it in a very strong position.

**Price risk**

As Morgans Hotel is an independent hotel chain, we are able to adapt to trends within the city, when compared with the larger operators. This allows us to mitigate against any pricing competition. The city is seeing a significant amount of investment from local authority in creating Swansea as a destination. Although this comes with its challenges, this should lead to an increase in prices as the demand is sure to increase over the next 3-5 years coming out of the pandemic.

**Going concern**

As the business looks to exit what has been the worst 2 years of trading since its inception, the board of directors are confident about the future of Morgans Hotel.

The business is well placed to react to the ever-changing environment due to its agile management structure.

We have a strong balance sheet, and good cash reserves to allow the business to continue trading for the foreseeable future, as we look to further invest in the business and its trading properties.

With the operating loss of the current year, these accounts have been prepared on a going concern basis.

**ON BEHALF OF THE BOARD:**

J D Hughes - Director

28 June 2022

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

The directors present their report with the financial statements of the company for the year ended 30 September 2021.

**DIVIDENDS**

No dividends will be distributed for the year ended 30 September 2021.

**DIRECTORS**

M W Morgan has held office during the whole of the period from 1 October 2020 to the date of this report.

Other changes in directors holding office are as follows:

J D Hughes - appointed 9 October 2020

C E Morgan - appointed 9 October 2020

L Morgan - appointed 9 October 2020

**DONATIONS**

During the year the company made a donation of £2,250 to 2B Enterprising Ltd.

**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 ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, Bevan Buckland LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

J D Hughes - Director

28 June 2022

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MORGANS HOTELS LTD**

### **Opinion**

We have audited the financial statements of Morgans Hotels Ltd (the 'company') for the year ended 30 September 2021 which comprise the Income Statement, Other 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 September 2021 and of its loss 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.

### **Material uncertainty relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **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 this gives rise to a material misstatement in the financial statements themselves. 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.

### **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.



## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MORGANS HOTELS LTD**

### **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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

We identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, and then, design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

We discussed our audit independence complying with the Revised Ethical Standard 2019 with the engagement team members whilst planning the audit and continually monitored our independence throughout the process.

### **Identifying and assessing potential risks related to irregularities.**

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team how and where fraud might occur in the Financial Statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas:
  - Indicators of impairment and valuation estimates; and
  - Revenue recognition
- obtaining an understanding of the legal and regulatory frameworks that the Company operates in, focusing on those laws and regulations that had a direct effect on the Financial Statements or that had a fundamental effect on the operations of the Company. The key laws and regulations we considered in this context included the UK Companies Act and relevant tax legislation.

### **Audit response to risks identified**

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations;
- enquiring of management concerning actual and potential litigation and claims; performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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 Report of the Auditors.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
MORGANS HOTELS LTD**

**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.

Alison Vickers (Senior Statutory Auditor)  
for and on behalf of Bevan Buckland LLP  
Chartered Accountants  
And Statutory Auditors  
Ground Floor Cardigan House  
Castle Court  
Swansea Enterprise Park  
Swansea  
SA7 9LA

28 June 2022

**INCOME STATEMENT  
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

	Notes	2021 £	2020 £
<b>TURNOVER</b>		964,875	1,049,826
Cost of sales		<u>(445,690)</u>	<u>(1,050,680)</u>
<b>GROSS PROFIT/(LOSS)</b>		519,185	(854)
Administrative expenses		<u>(619,021)</u>	<u>(551,947)</u>
		(99,836)	(552,801)
Other operating income	3	<u>78,388</u>	<u>320,977</u>
<b>OPERATING LOSS</b>	5	<u>(21,448)</u>	<u>(231,824)</u>
Interest receivable and similar income		<u>150,049</u>	<u>400,112</u>
<b>PROFIT BEFORE TAXATION</b>		128,601	168,288
Tax on profit	6	<u>(129,660)</u>	<u>(22,496)</u>
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		<u>(1,059)</u>	<u>145,792</u>

The notes form part of these financial statements

OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 £	2020 £
(LOSS)/PROFIT FOR THE YEAR		(1,059)	145,792
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(1,059)</u>	<u>145,792</u>

**BALANCE SHEET**  
**30 SEPTEMBER 2021**

	Notes	2021 £	£	2020 £	£
<b>FIXED ASSETS</b>					
Tangible assets	7		6,406,687		6,105,119
Investment property	8		<u>357,154</u>		<u>-</u>
			6,763,841		6,105,119
<b>CURRENT ASSETS</b>					
Stocks	9	39,928		30,682	
Debtors	10	7,790,713		9,471,652	
Cash at bank and in hand		<u>1,304,593</u>		<u>109,400</u>	
		9,135,234		9,611,734	
<b>CREDITORS</b>					
Amounts falling due within one year	11	<u>455,616</u>		<u>375,664</u>	
<b>NET CURRENT ASSETS</b>			<u>8,679,618</u>		<u>9,236,070</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			15,443,459		15,341,189
<b>CREDITORS</b>					
Amounts falling due after more than one year	12		(264,590)		(286,831)
<b>PROVISIONS FOR LIABILITIES</b>	14		<u>(393,206)</u>		<u>(267,636)</u>
<b>NET ASSETS</b>			<u>14,785,663</u>		<u>14,786,722</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15		10,001		10,001
Share premium	16		11,349,366		11,349,366
Retained earnings	16		<u>3,426,296</u>		<u>3,427,355</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>14,785,663</u>		<u>14,786,722</u>

The financial statements were approved by the Board of Directors and authorised for issue on 28 June 2022 and were signed on its behalf by:

J D Hughes - Director

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
<b>Balance at 1 October 2019</b>	10,001	3,281,563	11,349,366	14,640,930
<b>Changes in equity</b>				
Total comprehensive income	-	145,792	-	145,792
<b>Balance at 30 September 2020</b>	10,001	3,427,355	11,349,366	14,786,722
<b>Changes in equity</b>				
Total comprehensive income	-	(1,059)	-	(1,059)
<b>Balance at 30 September 2021</b>	10,001	3,426,296	11,349,366	14,785,663

The notes form part of these financial statements

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

	Notes	2021 £	2020 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	1,368,896	(17,896)
Tax paid		<u>51,280</u>	<u>(37,156)</u>
Net cash from operating activities		<u>1,420,176</u>	<u>(55,052)</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(116,025)	(334,173)
Purchase of investment property		(357,154)	-
Interest received		<u>150,049</u>	<u>112</u>
Net cash from investing activities		<u>(323,130)</u>	<u>(334,061)</u>
<b>Cash flows from financing activities</b>			
Government grants received		<u>98,147</u>	<u>365,288</u>
Net cash from financing activities		<u>98,147</u>	<u>365,288</u>
<b>Increase/(decrease) in cash and cash equivalents</b>		<u>1,195,193</u>	<u>(23,825)</u>
<b>Cash and cash equivalents at beginning of year</b>	2	109,400	133,225
<b>Cash and cash equivalents at end of year</b>	2	<u>1,304,593</u>	<u>109,400</u>

The notes form part of these financial statements

**NOTES TO THE CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

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

	2021	2020
	£	£
Profit before taxation	128,601	168,288
Depreciation charges	104,456	104,502
Government grants	(75,388)	(320,977)
Finance income	(150,049)	(400,112)
	<u>7,620</u>	<u>(448,299)</u>
(Increase)/decrease in stocks	(9,246)	11,397
Decrease in trade and other debtors	1,339,425	555,006
Increase/(decrease) in trade and other creditors	31,097	(136,000)
<b>Cash generated from operations</b>	<u><u>1,368,896</u></u>	<u><u>(17,896)</u></u>

**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 September 2021**

	30.9.21	1.10.20
	£	£
Cash and cash equivalents	<u>1,304,593</u>	<u>109,400</u>

**Year ended 30 September 2020**

	30.9.20	1.10.19
	£	£
Cash and cash equivalents	<u>109,400</u>	<u>133,225</u>

**3. ANALYSIS OF CHANGES IN NET FUNDS**

	At 1.10.20	Cash flow	At 30.9.21
	£	£	£
<b>Net cash</b>			
Cash at bank and in hand	<u>109,400</u>	<u>1,195,193</u>	<u>1,304,593</u>
	<u>109,400</u>	<u>1,195,193</u>	<u>1,304,593</u>
<b>Total</b>	<u><u>109,400</u></u>	<u><u>1,195,193</u></u>	<u><u>1,304,593</u></u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

**1. STATUTORY INFORMATION**

Morgans Hotels Ltd 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.

The presentation currency of the financial statements is the Pound Sterling (£).

**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.

**Going concern**

As required, the Directors have considered the Going Concern basis for the preparation of the financial statements and having reviewed the current cash balances, forecasts and future plans, deem this basis to be appropriate.

As the business looks to exit what has been the worst 2 years of trading since its inception, the board of directors are confident about the future of Morgans Hotel.

The business is well placed to react to the ever-changing environment due to its agile management structure.

We have a strong balance sheet, and good cash reserves to allow the business to continue trading for the foreseeable future, as we look to further invest in the business and its trading properties.

Consequently the Directors consider the company to be a going concern and have drawn up these financial statements on that basis.

**Significant judgements and estimates**

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

Fixed asset impairment:

At each reporting period end date, the company reviews the carrying amounts of its tangible 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). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

**Turnover**

Turnover generated by the Hotels comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of VAT and trade discounts. Turnover is recognised in the period to which the supply of goods or services relate. Revenue is recognised on the Hotels primary operation when rooms are occupied and foods and beverages are sold.

**Other income**

Interest is recognised on loans provided at the rate agreed by the directors and is recognised in the period in which the interest relates too.

**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
Long leasehold	- 2% on cost
Improvements to property	- 2% on cost
Fixtures and fittings	- at varying rates on cost

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 SEPTEMBER 2021

2. ACCOUNTING POLICIES - continued

**Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

**Investment property**

Investment property is shown at most recent valuation. Any aggregate surplus or deficit arising from changes in fair value is recognised in profit or loss.

**Stocks**

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

**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 balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Basic financial assets**

Basic financial assets, which include debtors 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.

**Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

**Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**Basic financial liabilities**

Basic financial liabilities, including creditors and bank loans, 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.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

**Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 SEPTEMBER 2021

2. **ACCOUNTING POLICIES - continued**

**Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, 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.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Hire purchase and leasing commitments**

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

**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.

**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.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**Retirement benefits**

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

**Creditors**

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2021**

**3. OTHER OPERATING INCOME**

	2021	2020
	£	£
Rents received	3,000	-
Government grants	<u>75,388</u>	<u>320,977</u>
	<u>78,388</u>	<u>320,977</u>

During the year the company received £53,147 of job retention scheme grant monies from the Welsh Government.

**4. EMPLOYEES AND DIRECTORS**

	2021	2020
	£	£
Wages and salaries	330,282	736,547
Social security costs	22,166	44,005
Other pension costs	<u>5,315</u>	<u>12,054</u>
	<u>357,763</u>	<u>792,606</u>

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

	2021	2020
Operations	18	45
Administration	<u>3</u>	<u>5</u>
	<u>21</u>	<u>50</u>

	2021	2020
	£	£
Directors' remuneration	<u>-</u>	<u>-</u>

**5. OPERATING LOSS**

The operating loss is stated after charging:

	2021	2020
	£	£
Other operating leases	10,450	9,000
Depreciation - owned assets	104,457	104,506
Auditors' remuneration	<u>11,500</u>	<u>14,425</u>

**6. TAXATION****Analysis of the tax charge**

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

	2021	2020
	£	£
Current tax:		
UK corporation tax	4,090	-
Deferred tax	<u>125,570</u>	<u>22,496</u>
Tax on profit	<u>129,660</u>	<u>22,496</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2021**

**6. TAXATION - continued****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:

	2021 £	2020 £
Profit before tax	<u>128,601</u>	<u>168,288</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	24,434	31,975
Effects of:		
Expenses not deductible for tax purposes	816	5,910
Capital allowances in excess of depreciation	-	(29,580)
Depreciation in excess of capital allowances	10,244	-
Utilisation of tax losses	-	(8,305)
Adjustments to tax charge in respect of previous periods	7,600	-
Deferred tax movement	94,369	22,496
Superdeduction	(735)	-
Land remediation relief	(7,068)	-
Total tax charge	<u>129,660</u>	<u>22,496</u>

**7. TANGIBLE FIXED ASSETS**

	Freehold property £	Long leasehold £	Improvements to property £	Fixtures and fittings £	Totals £
<b>COST</b>					
At 1 October 2020	742,874	1,908,120	4,349,619	1,431,730	8,432,343
Additions	-	290,000	100,487	15,538	406,025
At 30 September 2021	<u>742,874</u>	<u>2,198,120</u>	<u>4,450,106</u>	<u>1,447,268</u>	<u>8,838,368</u>
<b>DEPRECIATION</b>					
At 1 October 2020	51,232	316,644	822,581	1,136,767	2,327,224
Charge for year	8,783	24,378	45,132	26,164	104,457
At 30 September 2021	<u>60,015</u>	<u>341,022</u>	<u>867,713</u>	<u>1,162,931</u>	<u>2,431,681</u>
<b>NET BOOK VALUE</b>					
At 30 September 2021	<u>682,859</u>	<u>1,857,098</u>	<u>3,582,393</u>	<u>284,337</u>	<u>6,406,687</u>
At 30 September 2020	<u>691,642</u>	<u>1,591,476</u>	<u>3,527,038</u>	<u>294,963</u>	<u>6,105,119</u>

At 30 September 2020, the freehold property, the leasehold land and buildings and improvements to leasehold buildings are stated at cost which in the opinion of the director, equates to at least their estimated market valuation on the basis of existing value in use for the property.

The company adopts the policy to not depreciate any assets currently under construction.

**8. INVESTMENT PROPERTY**

	Total £
<b>FAIR VALUE</b>	
Additions	357,154
At 30 September 2021	<u>357,154</u>
<b>NET BOOK VALUE</b>	
At 30 September 2021	<u>357,154</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2021**

**8. INVESTMENT PROPERTY - continued**

Investment property was purchased during the year at market value, the Directors are satisfied that year end Fair Value does not differ from cost at acquisition.

**9. STOCKS**

	2021	2020
	£	£
Stocks	<u>39,928</u>	<u>30,682</u>

**10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021	2020
	£	£
Trade debtors	6,546	7,997
Amounts owed by related party companies	7,602,395	9,330,141
Other debtors	2,125	33,897
Tax	520	51,800
VAT	3,025	-
Prepayments and accrued income	<u>176,102</u>	<u>47,817</u>
	<u>7,790,713</u>	<u>9,471,652</u>

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021	2020
	£	£
Trade creditors	63,663	57,337
Amounts owed by related party companies	26,788	-
Tax	4,090	-
Social security and other taxes	8,982	5,495
VAT	-	10,802
Other creditors	256,805	224,160
Accruals and deferred income	73,047	55,629
Deferred government grants	<u>22,241</u>	<u>22,241</u>
	<u>455,616</u>	<u>375,664</u>

**12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2021	2020
	£	£
Deferred government grants	<u>264,590</u>	<u>286,831</u>

**13. SECURED DEBTS**

A legal charge was created on 3 April 2003 by The Welsh Development Agency with regard to all the company's liabilities, together with interest at 5% per annum above the base rate of National Westminster Bank plc. This includes all fees and charges in relation to the security.

A legal charge was created on 9 July 2015 by The Council of the City and County of Swansea with regard to the freehold land and Queens buildings, Cambrian Place, Swansea. The charge relates to grant funding received in the year and would be clawed back piecemeal in the event of the property disposal within a five year period. After this period, the Council will discharge the legal charge.

**14. PROVISIONS FOR LIABILITIES**

	2021	2020
	£	£
Deferred tax	<u>393,206</u>	<u>267,636</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 SEPTEMBER 2021

14. PROVISIONS FOR LIABILITIES - continued

	Deferred tax £
Balance at 1 October 2020	267,636
Provided during year	117,970
Underprovision in prior period	7,600
Balance at 30 September 2021	<u>393,206</u>

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid: Number:	Class:	Nominal value: £1	2021 £ <u>10,001</u>	2020 £ <u>10,001</u>
10,001	Ordinary			

16. RESERVES

	Retained earnings £	Share premium £	Totals £
At 1 October 2020	3,427,355	11,349,366	14,776,721
Deficit for the year	(1,059)		(1,059)
At 30 September 2021	<u>3,426,296</u>	<u>11,349,366</u>	<u>14,775,662</u>

17. RELATED PARTY DISCLOSURES

Included in debtors is an amount of £7,243,254 owed from (a) entities with control, joint control or significant influence over the entity.

Included in debtors is an amount of £334,389 owed from (b) other related parties.

During the year the following transactions were undertaken between Morgans Hotels Ltd and the related parties categorised above:

2021	Sales to related party £	Purchases from related party £
(a)	13,291	105,370
(b)	5,954	10,609

In addition to the above, during the year, Jaxx Bay Ltd transferred a property to Morgans Hotels Ltd for the value of £290,000 and Morgans Hotels Ltd charged interest of £150,000 to Jaxx Bay Ltd for the loan balances held.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.