REGISTERED NUMBER: 04201688 (England and Wales)

MORGANS HOTELS LTD

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

Bevan Buckland LLP
Ground Floor Cardigan House
Castle Court
Swansea Enterprise Park
Swansea
SA7 9LA

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022

COMPANY INFORMATION
FOR THE YEAR ENDED 30 SEPTEMBER 2022

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

STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2022

The directors present their strategic report for the year ended 30 September 2022.

STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2022

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.

Over the past 22 years, the business has continued to expand its offering by increasing our footprint across the city of Swansea and throughout South Wales creating new brands of hotel and overnight accommodation.

The objective is to continue this legacy by growing the business to include more offerings and more hotel beds as our city continues to expand.

The business is constantly investing in its real estate renovating existing stock whilst also acquiring new properties.

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 have worked well to improve the performance of the business investing a lot of efforts in new processes and improving our product offering.

Business Review & KPI's

Although the results show an operating loss, the business has invested close to £500k in refurbishing our hotel rooms to enhance our product offering as a city centre hotel.

Turnover has increased by 75% from 2021 returning close to pre-pandemic levels which is encouraging to see.

Senior Management use a number of KPI's to benchmark the hotels performance against prior years performance and that of our competitors, as shown below;

Turnover	75% increase vs last year
Operating Profit/(Loss)	Loss of £645k vs loss of £21k last year - refurbishment of hotel
ROCE	-4% vs -0.1% last year
Investment	£287k invested in capital assets during the year
Staff	44 employees vs 21 last year - back to full operation
Cash	44% decrease vs last year but still healthy cash balance
Room Occupancy	64% vs 52% last year - steady increase to be back at pre pandemic levels.

During the year, the business has seen a number of building projects complete, which should increase our profitability going forward. This is in addition to our investment into investment properties which gives the business income in the short term, and increased pipeline of hotel rooms in the long term.

We currently have two hotel brands operating in the city of Swansea with a total of 54 bedrooms in addition to a holiday home development in West Wales of 36 bedrooms operating through short term holiday lets.

Our pipeline has extended to 24 bedrooms under construction at present due to open in FY23 & FY24 with 64 further bedrooms scheduled across the next 5 years.

This continued investment shows our commitment to Swansea as a city, and our intention as an employer in Swansea.

Sales

Sales have increased in line with the reduction in restrictions getting close to pre covid levels. We are looking to grow this further as the business expands its offering.

Costs

A number of reliefs have enabled the business to maintain its costs basis, in a time where rising raw materials and inflation has led to rising costs.

STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2022

The business was fortunate that it has a protected position from rising energy costs having entered a 4 year contract in September 2019 resulting in zero price spikes during COVID-19 & Russia/Ukraine Conflict.
We are currently exploring options to reduce our energy costs further through renewable energy investing for the future.

Future Plans
The future plans are for the business to keep investing in its operations and enhancing our offering to our customers through extending our capacity in our hotels.

We are constantly reviewing the operations of our business, in line with market trends, and our competitors.

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 key risk factor affecting the business and its principal trade is Macro Economic factors. Inflation is at an all-time high for recent years, whilst interest rates is forcing consumer to think twice about secondary spending.

We are looking to combat that by expanding our offering our customers improved experiences.

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
The board of directors are confident in the future of Morgans Hotel and its trading postion as a going concern.

Agile management and fluid business operations allows it to make decsions that are well placed to react to short term trends and offerings.

Financially the business is very sound, with strong reserves and robust asset base which is well diversified to mitigate ant risk.

The next 5 years, look to make Morgans Hotel even stronger as it grows its operations and business.

ON BEHALF OF THE BOARD:

J D Hughes - Director

30 June 2023

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 2022

The directors present their report with the financial statements of the company for the year ended 30 September 2022.

DIVIDENDS
No dividends will be distributed for the year ended 30 September 2022.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 October 2021 to the date of this report.

M W Morgan
J D Hughes
C E Morgan
L Morgan

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

30 June 2023

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 2022 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 2022 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.

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. 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.

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

30 June 2023

INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	2022 £	2021 £
TURNOVER		1,688,712	964,875
Cost of sales		(1,223,461)	(445,690)
GROSS PROFIT		465,251	519,185
Administrative expenses		(1,146,324)	(619,021)
		(681,073)	(99,836)
Other operating income	3	36,000	78,388
OPERATING LOSS	5	(645,073)	(21,448)
Interest receivable and similar income		443,700	150,049
(LOSS)/PROFIT BEFORE TAXATION		(201,373)	128,601
Tax on (loss)/profit	6	34,423	(129,660)
LOSS FOR THE FINANCIAL YEAR		(166,950)	(1,059)

The notes form part of these financial statements

OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	2022 £	2021 £
LOSS FOR THE YEAR		(166,950)	(1,059)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(166,950)	(1,059)

BALANCE SHEET
30 SEPTEMBER 2022

		2022		2021	
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	7		6,586,024		6,406,687
Investment property	8		357,154		357,154
			6,943,178		6,763,841
CURRENT ASSETS					
Stocks	9	48,632		39,928	
Debtors	10	8,184,063		7,790,713	
Cash at bank and in hand		719,858		1,304,593	
		8,952,553		9,135,234	
CREDITORS					
Amounts falling due within one year	11	653,645		455,616	
NET CURRENT ASSETS			8,298,908		8,679,618
TOTAL ASSETS LESS CURRENT LIABILITIES			15,242,086		15,443,459
CREDITORS					
Amounts falling due after more than one year	12		(264,590)		(264,590)
PROVISIONS FOR LIABILITIES	14		(358,783)		(393,206)
NET ASSETS			14,618,713		14,785,663
CAPITAL AND RESERVES					
Called up share capital	15		10,001		10,001
Share premium	16		11,349,366		11,349,366
Retained earnings	16		3,259,346		3,426,296
SHAREHOLDERS' FUNDS			14,618,713		14,785,663

The financial statements were approved by the Board of Directors and authorised for issue on 30 June 2023 and were signed on its behalf by:

J D Hughes - Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 October 2020	10,001	3,427,355	11,349,366	14,786,722
Changes in equity				
Total comprehensive income	-	(1,059)	-	(1,059)
Balance at 30 September 2021	10,001	3,426,296	11,349,366	14,785,663
Changes in equity				
Total comprehensive income	-	(166,950)	-	(166,950)
Balance at 30 September 2022	10,001	3,259,346	11,349,366	14,618,713

The notes form part of these financial statements

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	2022 £	2021 £
Cash flows from operating activities			
Cash generated from operations	1	(743,486)	1,368,896
Tax paid		(4,090)	51,280
Net cash from operating activities		(747,576)	1,420,176
Cash flows from investing activities			
Purchase of tangible fixed assets		(286,859)	(116,025)
Purchase of investment property		-	(357,154)
Interest received		443,700	150,049
Net cash from investing activities		156,841	(323,130)
Cash flows from financing activities			
Government grants received		6,000	98,147
Net cash from financing activities		6,000	98,147
(Decrease)/increase in cash and cash equivalents		(584,735)	1,195,193
Cash and cash equivalents at beginning of year	2	1,304,593	109,400
Cash and cash equivalents at end of year	2	719,858	1,304,593

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2022

1. RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2022	2021
	£	£
(Loss)/profit before taxation	(201,373)	128,601
Depreciation charges	107,523	104,456
Government grants	(6,000)	(75,388)
Finance income	(443,700)	(150,049)
	(543,550)	7,620
Increase in stocks	(8,704)	(9,246)
(Increase)/decrease in trade and other debtors	(393,351)	1,339,425
Increase in trade and other creditors	202,119	31,097
Cash generated from operations	(743,486)	1,368,896

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 2022

	30.9.22	1.10.21
	£	£
Cash and cash equivalents	719,858	1,304,593

Year ended 30 September 2021

	30.9.21	1.10.20
	£	£
Cash and cash equivalents	1,304,593	109,400

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.10.21	Cash flow	At 30.9.22
	£	£	£
Net cash			
Cash at bank and in hand	1,304,593	(584,735)	719,858
	1,304,593	(584,735)	719,858
Total	1,304,593	(584,735)	719,858

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022

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.

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.

continued...

2. **ACCOUNTING POLICIES - continued**

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.

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.

continued...

2. ACCOUNTING POLICIES - continued

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.

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.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

3. OTHER OPERATING INCOME

	2022	2021
	£	£
Rents received	30,000	3,000
Government grants	6,000	75,388
	36,000	78,388

continued...

4. EMPLOYEES AND DIRECTORS

	2022	2021
	£	£
Wages and salaries	787,075	330,282
Social security costs	48,942	22,166
Other pension costs	10,503	5,315
	846,520	357,763

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

	2022	2021
Operations	40	18
Administration	4	3
	44	21

	2022	2021
	£	£
Directors' remuneration	-	-

5. OPERATING LOSS

The operating loss is stated after charging:

	2022	2021
	£	£
Other operating leases	11,900	10,450
Depreciation - owned assets	107,522	104,457
Auditors' remuneration	6,800	11,500

6. TAXATION

Analysis of the tax (credit)/charge
The tax (credit)/charge on the loss for the year was as follows:

	2022	2021
	£	£
Current tax:		
UK corporation tax	-	4,090
Deferred tax	(34,423)	125,570
Tax on (loss)/profit	(34,423)	129,660

continued...

6. TAXATION - continued

Reconciliation of total tax (credit)/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:

	2022	2021
	£	£
(Loss)/profit before tax	(201,373)	128,601
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	(38,261)	24,434
Effects of:		
Expenses not deductible for tax purposes	257	816
Depreciation in excess of capital allowances	16,261	10,244
Adjustments to tax charge in respect of previous periods	-	7,600
Deferred tax movement	(8,261)	94,369
Superdeduction	(4,419)	(735)
Land remediation relief	-	(7,068)
Total tax (credit)/charge	(34,423)	129,660

7. TANGIBLE FIXED ASSETS

	Freehold property	Long leasehold	Improvements to property	Fixtures and fittings	Totals
	£	£	£	£	£
COST					
At 1 October 2021	742,874	2,198,120	4,450,106	1,447,268	8,838,368
Additions	-	117,232	92,105	77,522	286,859
At 30 September 2022	742,874	2,315,352	4,542,211	1,524,790	9,125,227
DEPRECIATION					
At 1 October 2021	60,015	341,022	867,713	1,162,931	2,431,681
Charge for year	8,783	24,377	45,157	29,205	107,522
At 30 September 2022	68,798	365,399	912,870	1,192,136	2,539,203
NET BOOK VALUE					
At 30 September 2022	674,076	1,949,953	3,629,341	332,654	6,586,024
At 30 September 2021	682,859	1,857,098	3,582,393	284,337	6,406,687

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
	£
FAIR VALUE	
At 1 October 2021 and 30 September 2022	357,154
NET BOOK VALUE	
At 30 September 2022	357,154
At 30 September 2021	357,154

continued...

9. STOCKS

	2022	2021
	£	£
Stocks	48,632	39,928

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£	£
Trade debtors	32,381	6,546
Amounts owed by related party companies	7,925,819	7,602,395
Other debtors	168,571	2,125
Tax	520	520
VAT	-	3,025
Prepayments and accrued income	56,772	176,102
	8,184,063	7,790,713

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£	£
Trade creditors	181,332	63,663
Amounts owed by related party companies	-	26,788
Tax	-	4,090
Social security and other taxes	15,436	8,982
VAT	24,957	-
Other creditors	318,766	256,805
Accruals and deferred income	90,913	73,047
Deferred government grants	22,241	22,241
	653,645	455,616

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

	2022	2021
	£	£
Deferred government grants	264,590	264,590

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

	2022	2021
	£	£
Deferred tax	358,783	393,206

	Deferred tax
	£
Balance at 1 October 2021	393,206
Credit to Income Statement during year	(34,423)
Underprovision in prior period	
Balance at 30 September 2022	358,783

continued...

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2022 £	2021 £
10,001	Ordinary	£1	10,001	10,001

16. RESERVES

	Retained earnings £	Share premium £	Totals £
At 1 October 2021	3,426,296	11,349,366	14,775,662
Deficit for the year	(166,950)		(166,950)
At 30 September 2022	3,259,346	11,349,366	14,608,712

17. RELATED PARTY DISCLOSURES

Included in debtors is an amount of £7,925,819 owed from (a) entities with control, joint control or significant influence over the entity.

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

2022	Sales to related party £	Purchases from related party £
(a)	19,739	478,542

In addition to the above, during the year, Morgans Hotels Ltd charged interest of £443,215 to Jaxx Bay Ltd for the loan balances held.