

Bristol Harbour Hotel Limited

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 09677406

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Bristol Harbour Hotel Limited

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Company Information

Directors	D Robbins S A Bateman M O Warren
Registered number	09677406
Registered office	Harbour House 60 Purewell Christchurch Dorset BH23 1ES
Independent auditor	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL

Bristol Harbour Hotel Limited

Strategic Report For the Year Ended 31 December 2019

The directors present their Strategic Report for the year ended 31 December 2019.

Review of the business

Bristol Harbour Hotel Limited owns and operates a hotel in the city of Bristol.

The directors are satisfied with the results for the year in all areas of trading. Turnover and operating profit remained in line with 2018. Underlying costs remain carefully controlled whilst preserving the quality of both standards and service. The company continues to ensure sufficient resources are invested to maintain the property's high standards and levels of service.

COVID-19

The directors acknowledge that the outbreak of the COVID-19 virus after the year end, resulting in temporary forced hotel closures following UK Government guidance, has had a significant impact on the company's performance since then. However, with the situation remaining very fluid, the full impact will depend on the spread of the virus, the duration of Government imposed lockdowns and their impact on the overall economy. Following the enforced closure of the hotels in March 2020, all properties within the Harbour Hotels group have been closed for periods as directed by UK Government policy. Initially this extended to July 2020 and was then followed by further closures in November 2020 and most recently late December 2020 through to the proposed reopening date of 17th May 2021. The directors have monitored the situation closely and reacted to minimise the impact of this risk, including the limiting of discretionary spend along with the utilisation of the UK Government's various support schemes.

The directors remain confident in the long term fundamentals of the market the company operates in and do not believe that the outbreak will impact the viability of the business in the long term.

Going concern

The comprehensive measures taken by the UK Government to limit the spread of the COVID-19 pandemic have had a significant effect on the hospitality sector across the United Kingdom. Lockdowns imposed since March 2020 have seen properties closed and subsequently reopened at various points since this date.

The company has had support in paying employment costs through the period from the UK Government's Coronavirus Job Retention Scheme ("CJRS") having furloughed the majority of its staff. The company continues to take advantage of the scheme in some measure where eligible and necessary. Upon the hotels reopening a flexible approach has been adopted to return the employees to work on the basis of business need. The Company has also benefitted from business rates property relief with a 100% reduction applied from April 2020. This will cover the period through to June 2021 and will then be tapered to a 66% reduction until March 2022. Business support grants have also been claimed for properties that have suffered enforced closure.

In addition to the measures described above, the application for a loan via the Coronavirus Business Interruption Loan Scheme ("CBILS") by the company's parent was successful and has assisted in supporting the company through a period of limited income. The directors acknowledge that it is difficult to estimate to what extent, and for how long, the UK Government's measures to control the spread of the virus will continue to have an impact on the hospitality sector.

The directors therefore recognise there is uncertainty over which they have little or no control. However, the company believes it has sufficient cash resources already secured and it is the expectation of the directors the company will be able to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of the financial statements and therefore the going concern basis of preparation has been adopted.

For more information regarding the basis of preparation see note 2 to the financial statements.

Bristol Harbour Hotel Limited

Strategic Report (continued) For the Year Ended 31 December 2019

Principal risks and uncertainties

The UK is currently in a period of well understood economic uncertainty with the recent departure from the European Union, the COVID-19 pandemic and significant regulatory and other inflationary cost pressures.

While economic conditions give rise to risk within the business, the company's performance and the reputation of the hotel during the recent economic climate puts the company in a good position to mitigate this risk.

The company operates in a competitive marketplace, however the directors believe the ongoing investment in the hotel facilities, standards and service and the proactive approach taken by management, mitigate this risk, helping to attract both new and returning customers.

The main financial risks arising from the company's activities are broadly grouped as credit risk, interest rate risk and liquidity risk, these are monitored by the board of directors and are not considered to be significant at the balance sheet date. Financial risk management objectives and policies are detailed in the Directors' Report.

Key performance indicators

The company uses a wide range of performance measures to manage and monitor the business. The most significant of these are the key performance indicators which for the company are turnover and occupancy, as they are the most effective measure of performance against the company's objectives.

	2019	2018
Turnover	£3.8m	£3.8m
Occupancy	87%	84%

Future developments

The directors intend to continue to invest in maintaining and upgrading facilities and standards to further strengthen the company's market position. The company has seen trading losses in 2020 as a consequence of the lockdowns imposed. During the periods where the company was able to trade, customer demand was remarkably strong, especially through the summer period. This has helped to mitigate the overall result. Looking forward to 2021, the company's expectations are for a strong summer period driven by the uncertainty around international travel and a spike in demand for "staycations" and domestic stays generally. The volume of enquiries in the corporate and groups segment for the autumn and beyond is also encouraging.

This report was approved by the board and signed on its behalf.



.....
D Robbins
Director

Date: 15-4-21

Bristol Harbour Hotel Limited

Directors' Report For the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Principal activity

The principal activity of the company is that of owning and operating a hotel.

Results and dividends

The loss for the year, after taxation, amounted to £199,855 (2018 - £225,525).

Dividends of £1,000,000 were paid during the year (2018 - £Nil).

Directors

The directors who served during the year were:

D Robbins
S A Bateman
M O Warren

Principal risks and uncertainties

Financial risk management objectives and policies

The business' principal financial instruments comprise bank balances, bank overdrafts, trade debtors, trade creditors and loans to the business from shareholders. The main purpose of these instruments is to finance the business' operations.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. The amounts presented in the balance sheet are net of allowances for doubtful debtors.

Trade creditors' liquidity is managed by ensuring sufficient funds are available to meet amounts due.

Loans comprise loans from the shareholders. Budgets are being used to ensure that sufficient funds continue to be available in the future and repayments can be met in the long term. Cash flow risk is reviewed and the loans from shareholders are repaid when funds are available, with support continuing when required to meet liquidity needs as they arise.

Matters covered in the Strategic Report

The business review, principal risks and uncertainties and future developments are set out in the Strategic Report on pages 1-2.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events

Details of post balance sheet events are set out in note 23.

Bristol Harbour Hotel Limited

Directors' Report (continued) For the Year Ended 31 December 2019

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



.....
D Robbins
Director

Date: 15-4-21

Bristol Harbour Hotel Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2019

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Bristol Harbour Hotel Limited

Independent Auditor's Report to the Members of Bristol Harbour Hotel Limited

Opinion

We have audited the financial statements of Bristol Harbour Hotel Limited (the "company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the 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 31 December 2019 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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.

Bristol Harbour Hotel Limited

Independent Auditor's Report to the Members of Bristol Harbour Hotel Limited (continued)

Other information

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

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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report 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 and Directors' Report.

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

- adequate accounting records have not been kept, 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.

Bristol Harbour Hotel Limited

Independent Auditor's Report to the Members of Bristol Harbour Hotel Limited (continued)

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the company's member 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 member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member, for our audit work, for this report, or for the opinions we have formed.



Christopher Driver (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Southampton
United Kingdom

16th April 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Bristol Harbour Hotel Limited

Statement of Comprehensive Income For the Year Ended 31 December 2019

	Note	2019 £	2018 £
Turnover	4	3,839,425	3,756,994
Cost of sales		(2,332,666)	(2,111,259)
Gross profit		1,506,759	1,645,735
Administrative expenses		(1,160,527)	(1,300,953)
Operating profit	5	346,232	344,782
Interest receivable and similar income	8	-	22,609
Interest payable and similar charges	9	(485,785)	(434,522)
Loss before tax		(139,553)	(67,131)
Tax on loss	10	(60,302)	(158,394)
Loss for the financial year		(199,855)	(225,525)
Deferred tax on revaluation of tangible fixed assets		781,757	44,233
Unrealised deficit on revaluation of tangible fixed assets		(4,522,124)	(1,124,070)
Other comprehensive loss for the year		(3,740,367)	(1,079,837)
Total comprehensive loss for the year		(3,940,222)	(1,305,362)

The notes on pages 12 to 25 form part of these financial statements.

Bristol Harbour Hotel Limited

Registered number:09677406

Statement of Financial Position As at 31 December 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Tangible fixed assets	12		15,490,001		19,990,000
Current assets					
Stocks	13	52,152		64,691	
Debtors: amounts falling due within one year	14	284,696		1,898,029	
Cash at bank and in hand		48,845		126,670	
		<u>385,693</u>		<u>2,089,390</u>	
Current liabilities					
Creditors: amounts falling due within one year	15	(4,726,825)		(4,805,592)	
Net current liabilities			<u>(4,341,132)</u>		<u>(2,716,202)</u>
Total assets less current liabilities			<u>11,148,869</u>		<u>17,273,798</u>
Non current liabilities					
Creditors: amounts falling due after more than one year	16	(13,507,625)		(13,970,877)	
Provisions for liabilities					
Deferred tax	11	(283,297)		(1,004,752)	
Net (liabilities)/assets			<u>(2,642,053)</u>		<u>2,298,169</u>
Capital and reserves					
Called up share capital	18		1		1
Revaluation reserve	19		-		1,765,572
Profit and loss account	19		(2,642,054)		532,596
Total equity			<u>(2,642,053)</u>		<u>2,298,169</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



D Robbins
Director

Date: 15.4.21

The notes on pages 12 to 25 form part of these financial statements.

Bristol Harbour Hotel Limited

Statement of Changes in Equity For the Year Ended 31 December 2019

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2018	1	2,845,403	758,121	3,603,525
Comprehensive loss for the year				
Loss for the year	-	-	(225,525)	(225,525)
Deferred tax relating to revaluation of tangible fixed assets	-	44,239	-	44,239
Unrealised deficit on revaluation of tangible fixed assets	-	(1,124,070)	-	(1,124,070)
Total comprehensive loss for the year	-	(1,079,831)	(225,525)	(1,305,356)
At 1 January 2019	1	1,765,572	532,596	2,298,169
Comprehensive loss for the year				
Loss for the year	-	-	(199,855)	(199,855)
Deferred tax relating to revaluation of tangible fixed assets	-	781,757	-	781,757
Unrealised deficit on revaluation of tangible fixed assets	-	(4,522,124)	-	(4,522,124)
Total comprehensive loss for the year	-	(3,740,367)	(199,855)	(3,940,222)
Contributions by and distributions to owners				
Dividends paid	-	-	(1,000,000)	(1,000,000)
Issue of bonus shares	1,250,000	(1,250,000)	-	-
Shares cancellation	(1,250,000)	-	1,250,000	-
Transfer of negative revaluation reserve	-	3,224,795	(3,224,795)	-
At 31 December 2019	1	-	(2,642,054)	(2,642,053)

Issue of bonus shares and capital reduction

On 10 October 2019, the company capitalised £1,250,000 of its revaluation reserve through the issue of fully paid up bonus shares. The bonus shares were cancelled on 21 October 2019 with the corresponding balance being credited to the accumulated profit and loss reserve.

Dividends paid

At the time that the interim dividend was declared and paid on 11 December 2019 the company had sufficient distributable reserves.

The notes on pages 12 to 25 form part of these financial statements.

Bristol Harbour Hotel Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

1. General information

Bristol Harbour Hotel Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activity is disclosed in the Directors' Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The financial statements are prepared in GBP and rounded to the nearest £.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Harbour Hotels Holdings Limited as at 31 December 2019 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Bristol Harbour Hotel Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.3 Going concern

Notwithstanding the net current liabilities at 31 December 2019, the financial statements have been prepared on the going concern basis which the directors consider to be appropriate.

The COVID-19 outbreak is expected to have a significant impact on the business. Following the issuance of UK Government guidance, all hotels were closed at the end of March 2020 and have been subject to intermittent closures since this date.

The directors of the company and the wider group have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements. The forecasts have been sensitised and include plausible downside scenarios as a result of the COVID-19 outbreak and its impact. These demonstrate the Group has sufficient cash reserves to enable the Group to meet its obligations as they fall due for a period of at least 12 months from the date of approval of the financial statements.

As such, the directors are satisfied that the company has adequate resources to continue to operate for the foreseeable future. For this reason the company continues to adopt the going concern basis in preparing these financial statements.

2.4 Revenue recognition

Turnover represents amounts receivable from the provision of hotel and restaurant services, recognised net of VAT at the point of service to the customer.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	-	6% per annum
Computer equipment	-	20% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Bristol Harbour Hotel Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.6 Revaluation of tangible fixed assets

Individual leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Statement of Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.7 Land and buildings

It is the company's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time and accordingly the directors consider that the lives of these assets are so long and residual values are so high that their depreciation is insignificant.

In accordance with accounting standards the directors have also considered the recoverable amounts of land and buildings and consider that this is at least equal to the carrying value in the financial statements.

2.8 Impairment of fixed assets

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.

For the purposes of impairment testing, 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 group of assets.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

2.10 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.

Bristol Harbour Hotel Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.12 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors.

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than its legal form.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

2.13 Creditors

Short term 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.

2.14 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.16 Operating leases

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

2.17 Finance leases

Assets held under finance leases are recognised in the Statement of Financial Position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Bristol Harbour Hotel Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.18 Sale and leaseback

Where a sale and leaseback transaction results in a finance lease, no gain is immediately recognised for any excess of sales proceeds over the carrying amount of the asset. Instead, the proceeds are presented as a liability and subsequently measured at amortised cost using the effective interest method.

When a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value any profit or loss is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately unless the loss is compensated for by the future lease payments at below market price. In that case any such loss is amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is amortised over the period for which the asset is expected to be used.

2.19 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

2.20 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.21 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Bristol Harbour Hotel Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.21 Current and deferred taxation (continued)

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following judgements:

- Determine whether leases entered into by the company either as a lessor or as a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future performance.
- The calculation of the company's tax charge involves a degree of estimation and judgement in respect of certain items, including the differences between the accounting and tax base; which assets qualify for capital allowances; the level of disallowance expenditure; the extent of rollover gains; indexation thereon and the tax base into which they are rolled; the amount of deferred tax assets which can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of future tax planning.

Other key sources of estimation uncertainty

- **Tangible fixed assets (note 12)**
Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and vary depending on a number of factors such as future economic viability, utilisation and continued relevance of the asset.

Leasehold property is revalued by an independent valuation expert on a regular basis such that the carrying value is in line with the prevailing market rates. The valuation uses the profit method which is based on the company's estimates and assumptions concerning its future revenue growth, trading and cash flows.

Bristol Harbour Hotel Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Provision of hotel services	<u>3,839,425</u>	<u>3,756,994</u>

Turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	<u>112,044</u>	<u>118,884</u>

6. Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	<u>4,945</u>	<u>4,800</u>

7. Employees

Staff costs were as follows:

	2019 £	2018 £
Wages and salaries	1,399,217	1,306,999
Social security costs	99,859	90,703
Cost of defined contribution scheme	3,809	2,851
	<u>1,502,885</u>	<u>1,400,553</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Hotel staff	<u>92</u>	<u>90</u>

Bristol Harbour Hotel Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

8. Interest receivable and similar income

	2019 £	2018 £
Other interest receivable	-	22,609

9. Interest payable and similar charges

	2019 £	2018 £
Other loan interest payable	285,785	234,522
Finance leases and hire purchase contracts	200,000	200,000
	485,785	434,522

10. Taxation

	2019 £	2018 £
Current tax on losses for the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	60,460	60,417
Adjustment in respect of previous periods	(158)	97,977
Total deferred tax	60,302	158,394
Taxation on loss on ordinary activities	60,302	158,394

Bristol Harbour Hotel Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Loss on ordinary activities before tax	<u>(139,553)</u>	<u>(67,131)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(26,515)	(12,755)
Effects of:		
Transfer pricing adjustments	(16,162)	(12,997)
Adjustment to tax charge in respect of prior periods	(158)	-
Group relief surrendered	103,137	123,546
Other adjustments	-	60,600
Total tax charge for the year	<u>60,302</u>	<u>158,394</u>

Factors that may affect future tax charges

The company has tax losses of approximately £638,000 (2018 - £548,000) available to carry forward against future taxable profits.

11. Dividends

	2019 £	2018 £
Dividends declared and paid	<u>1,000,000</u>	<u>-</u>

Bristol Harbour Hotel Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

12. Tangible fixed assets

	Long-term leasehold property £	Fixtures and fittings £	Computer equipment £	Finance lease asset £	Total £
Cost or valuation					
At 1 January 2019	12,429,315	1,593,957	63,095	6,240,000	20,326,367
Additions	-	130,531	3,638	-	134,169
Revaluations	(4,522,124)	-	-	-	(4,522,124)
At 31 December 2019	<u>7,907,191</u>	<u>1,724,488</u>	<u>66,733</u>	<u>6,240,000</u>	<u>15,938,412</u>
Depreciation					
At 1 January 2019	-	300,972	35,395	-	336,367
Charge for the year	-	99,309	12,735	-	112,044
At 31 December 2019	<u>-</u>	<u>400,281</u>	<u>48,130</u>	<u>-</u>	<u>448,411</u>
Net book value					
At 31 December 2019	<u>7,907,191</u>	<u>1,324,207</u>	<u>18,603</u>	<u>6,240,000</u>	<u>15,490,001</u>
At 31 December 2018	<u>12,429,315</u>	<u>1,292,985</u>	<u>27,700</u>	<u>6,240,000</u>	<u>19,990,000</u>

Fixed assets held at valuation

The leasehold property along with the fixtures, fittings and equipment, was valued by Savills (UK), an independent chartered surveyor with experience in the hotel property market, on 18 January 2020 on the basis of market value under the profits method in accordance with The Royal Institute of Chartered Surveyors Valuation Professional Standards known as the "Red Book". Projected net earnings and cash flows have been discounted using a market discount rate. The critical assumptions are a capitalisation rate of 8% and a discount rate which is 2.5% above the capitalisation rate used in the cash flow.

Bristol Harbour Hotel has been valued at £9,250,000 (2018 - £13,750,000) and this valuation was adopted in the financial statements as at 31 December 2019. The hotel is one of a collection of hotels which together form the Harbour Hotels group.

The historical cost of the long-term leasehold property at 31 December 2019 is £6,551,604 (2018 - £6,417,435).

Bristol Harbour Hotel Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

13. Stocks

	2019 £	2018 £
Food, beverage and spa	<u>52,152</u>	<u>64,691</u>

14. Debtors: amounts falling due within one year

	2019 £	2018 £
Trade debtors	145,715	209,237
Amounts owed by group undertakings	6,000	1,472,655
Other debtors	14,465	46,577
Prepayments and accrued income	118,516	169,560
	<u>284,696</u>	<u>1,898,029</u>

Amounts owed by group undertakings are interest free and repayable on demand.

15. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	147,749	215,690
Amounts owed to group undertakings	4,226,910	4,219,620
Other taxation and social security	44,479	37,142
Other creditors	136,519	116,810
Accruals and deferred income	171,168	216,330
	<u>4,726,825</u>	<u>4,805,592</u>

Amounts owed to group undertakings are interest free and repayable on demand.

Bristol Harbour Hotel Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

16. Creditors: amounts falling due after more than one year

	2019 £	2018 £
Net obligations under finance leases and hire purchase contracts	6,007,625	6,007,625
Amounts owed to group undertakings	7,500,000	7,963,252
	<u>13,507,625</u>	<u>13,970,877</u>

The amount owed to the group undertakings is repayable on 27 January 2024.

Finance lease

In 2016 the company entered into a sale and leaseback arrangement with a third party in respect of an interest in the hotel's freehold land. The lease is for a term of 999 years, with annual payments of £200,000 per year increasing with movements in RPI. The arrangement resulted in a finance lease with the proceeds of £6,240,000 being recognised as a liability net of costs of £206,054. Because the term is so long, measuring the liability at amortised cost using the effective interest method results in no reduction of the liability for the foreseeable future. The land subject to the finance lease arrangement has been shown within fixed assets as a separate class of asset which is not subject to depreciation at a cost equivalent to the proceeds received.

17. Deferred taxation

	2019 £	2018 £
At beginning of year	1,004,752	890,591
Charged to profit or loss	60,302	158,394
Credited to other comprehensive income	(781,757)	(44,233)
At end of year	<u>283,297</u>	<u>1,004,752</u>

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	283,631	205,533
Tax losses carried forward	(121,253)	(104,147)
Other short term timing differences	(690)	-
Revaluation of tangible fixed assets	121,609	903,366
	<u>283,297</u>	<u>1,004,752</u>

Bristol Harbour Hotel Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

18. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1 Ordinary share of £1	1	1
	<u>1</u>	<u>1</u>

19. Reserves

Revaluation reserve

The revaluation reserve records the value of asset revaluations and fair value movements on assets recognised in other comprehensive income.

Profit and loss account

The profit and loss account represents cumulative profits and losses, net of any dividends and other adjustments.

20. Security

The bank loans of Harbour Hotels Group Limited, the immediate parent company, are secured by a cross guarantee and a fixed and floating charge debenture over the company's assets.

21. Related party transactions

During the year the company entered into transactions with related parties outside of the Harbour Hotel Holdings Limited group of companies, as follows:

	2019 £	2018 £
Sales to related parties		
Other	-	135
	<u>-</u>	<u>135</u>
Purchases from related parties		
Capital costs	-	254,152
Other	6,434	-
	<u>6,434</u>	<u>254,152</u>
Purchase ledger balances outstanding	<u>2,326</u>	<u>47,637</u>

Bristol Harbour Hotel Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

22. Controlling party

The company is a wholly owned subsidiary of Harbour Hotels Group Limited. The ultimate parent company is Harbour Hotels Holdings Limited, a company controlled by Mr N J Roach. Consolidated financial statements for Harbour Hotels Holdings Limited are publicly available from Companies House, Crown Way, Cardiff, CF14 3UZ.

The smallest group in which the results of the company are consolidated is that headed by Harbour Hotels Group Limited and the largest group in which the results of the company are consolidated is that headed by Harbour Hotels Holdings Limited. The registered office of Harbour Hotels Group Limited and Harbour Hotels Holdings Limited is Harbour House, 60 Purewell, Christchurch, Dorset, BH23 1ES.

23. Post balance sheet events

Subsequent to the year end, the impact of COVID-19 on the company has been significant. The hotel was initially closed in March 2020 following UK Government advice and has been subject to a number of local and national lockdowns subsequently. The hotel is now scheduled to reopen in May 2021 in line with current UK Government advice.

The consequence of COVID-19 is considered a non-adjusting post balance sheet event given the impacts were not known at the Statement of Financial Position date therefore no adjustments have been made to the financial statements.

On 3 July 2020 the company issued shares with a nominal value of £4,000,000 to its parent company to recapitalise its balance sheet.