

Moyola (Cellars) Limited

Annual report and financial statements

For the year ended 31 October 2018



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Moyola (Cellars) Limited

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Moyola (Cellars) Limited

Company information

Directors

Lady K J Hastings
Mr J E Carson
Mr H J Hastings

Company secretary

Mr J E Carson

Registered number

NI003445

Registered office

1066 House
587 Upper Newtownards Road
Belfast
BT4 3LP

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Waterfront Plaza
8 Laganbank Road
Belfast
BT1 3LR

Bankers

Bank of Ireland
Donegall House
Donegall Square North
Belfast
BT1 5LU

Bank of Ireland
Ormeau Road
Belfast
BT7 2GE

Solicitors

Pinsent Masons
Arnott House
12-16 Bridge Street
Belfast
BT1 1LS

Moyola (Cellars) Limited

Strategic report

For the year ended 31 October 2018

The directors present their Strategic report on the company for the year ended 31 October 2018.

Business review

The results of the company show a pre-tax profit of £1,890,101 (2017: £4,731,109) for the financial year and turnover of £41,185,098 (2017: £39,632,526). The company has net assets of £26,421,776 (2017: £26,976,195). The directors consider the performance for the year and the financial position at the year-end to be satisfactory. The company will continue to seek every opportunity to increase profitable turnover. The company acquired the property known as Windsor House in Central Belfast in 2015, with the new hotel "Grand Central" opening in summer of 2018.

Future developments

The external commercial environment is expected to remain competitive in 2019. The directors have plans in place to ensure the company is strongly placed going forward.

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of Hastings Hotels Group Limited, which include those of the company, are discussed on as part of the group's annual report which does not form part of this report.

Key performance indicators

The directors of Hastings Hotels Group Limited manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Moyola (Cellars) Limited. The development, performance and position of Hastings Hotels Group Limited, which includes the company, are discussed on as part of the group's annual report, which does not form part of this report.

Environment

The company will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The company has complied with all applicable legislation and regulations.

Health and safety

The company is committed to achieving the highest practicable standards in health and safety management and strives to make all sites and offices safe environments for employees and customers alike.

Human resources

The company's most important resource is its people; their knowledge and experience is crucial to meeting customer requirements. Retention of key staff is critical and the company has invested increasingly in employment training and development and has introduced appropriate incentive and career progression arrangements.

Moyola (Cellars) Limited

Strategic report (continued) For the year ended 31 October 2018

Employees

Applications for employment by disabled persons are fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability. Consultation with employees or their representatives as continued at all levels, with the aim of ensuring that their views are taken into account with decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of the company.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of directors are implemented by the company's finance department.

Credit risk

Policies and procedures exist to ensure that customers have an appropriate credit history. All customers are allocated a credit limit which is regularly monitored.

Liquidity risk

The company actively maintains a mixture of short to medium term debt finance that is designed to ensure that the company has sufficient available funds for operations and planned expansions.

Interest rate risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances, which earn interest at variable rates. Interest bearing liabilities relate to bank loans. The company has a policy of maintaining debt at fixed rate to ensure certainty of future interest cash flows. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

This report was approved by the board on 29 April 2019 and signed by order of the board.



Mr J E Carson
Director

Moyola (Cellars) Limited

Directors' report

For the year ended 31 October 2018

The directors present their report and the audited financial statements of the company for the year ended 31 October 2018.

Principal activities

The principal activities of the company during the year continued to be in the hotel and catering industry in Northern Ireland.

Results and dividends

The profit for the financial year amounted to £1,445,581 (2017: £3,935,634).

The interim dividend of £28.49 (2017: £28.49) per share amounting to £2,000,000 (2017: £2,000,000) was paid during the year. The directors do not recommend the payment of a final dividend (2017: £Nil).

Directors

The directors of the company who served during the year and up to the date of signing the financial statements were:

Lady K J Hastings
Mr J E Carson
Mr H J Hastings

Future developments

The section on future developments which is detailed in the Strategic report, is included in this report by cross reference.

Going concern

The company's activities, together with factors likely to affect its future development, performance and position are continuously reviewed by the directors. These include the company's cash flow, liquidity position and borrowing facilities. As a consequence the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The company meets its day to day working capital requirements through its banking facilities which are due for renewal in January 2022.

The directors are confident that the company has adequate resources to continue its normal business for the foreseeable future, and accordingly they continue to adopt the going concern basis in preparing the Directors' report and financial statements.

Employee involvement

During the year, the policy of providing employees with information about the company has been continued through media methods in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between management and employees to allow a free flow of information and ideas.

Moyola (Cellars) Limited

Directors' report (continued)

For the year ended 31 October 2018

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report and financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for 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.

Statement of disclosure of information to auditors


In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

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

This report was approved by the board on 29 April 2019 and signed on its behalf.


Mr J E Carson
Director

Independent auditors' report to the members of Moyola (Cellars) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Moyola (Cellars) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 October 2018; the Statement of income and retained earnings; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Independent auditors' report to the members of Moyola (Cellars) Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

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 year ended 31 October 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

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 an auditors' 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 on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Moyola (Cellars) Limited

Independent auditors' report to the members of Moyola (Cellars) Limited (continued)

Responsibilities for the financial statements and the audit (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Brenda Heenan

Brenda Heenan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast

29 April 2019

Moyola (Cellars) Limited

Statement of income and retained earnings For the year ended 31 October 2018

| | Note | 2018 £ | 2017 £ |
|-------------------------------------------------|------|-------------------|-------------------|
| Turnover | 5 | 41,185,098 | 39,632,526 |
| Cost of sales | | (5,665,054) | (5,554,671) |
| Gross profit | | 35,520,044 | 34,077,855 |
| Selling costs | | (2,517,157) | (2,294,732) |
| Administrative expenses | | (29,270,788) | (26,038,937) |
| Income from fixed asset investment | | 496,455 | - |
| Investment impairment | | (496,025) | - |
| Other operating charges | | (375,134) | (313,271) |
| Operating profit | 6 | 3,357,395 | 5,430,915 |
| Interest payable and similar expenses | 9 | (1,467,294) | (699,806) |
| Profit before taxation | | 1,890,101 | 4,731,109 |
| Tax on profit | 10 | (444,520) | (795,475) |
| Profit for the financial year | | 1,445,581 | 3,935,634 |
| Retained earnings at the beginning of the year | | 26,905,995 | 24,970,361 |
| Profit for the financial year | | 1,445,581 | 3,935,634 |
| Dividends declared and paid | 11 | (2,000,000) | (2,000,000) |
| Retained earnings at the end of the year | | 26,351,576 | 26,905,995 |


The notes on pages 11 to 25 form part of these financial statements.

Moyola (Cellars) Limited
Registered number: NI003445

Balance sheet
As at 31 October 2018

| | Note | 2018 £ | 2018 £ | 2017 £ | 2017 £ |
|---------------------------------------------------------|------|------------------|---------------------|------------------|---------------------|
| Fixed assets | | | | | |
| Tangible assets | 12 | | 93,207,147 | | 76,165,805 |
| Investments | 13 | | - | | 496,025 |
| | | | <u>93,207,147</u> | | <u>76,661,830</u> |
| Current assets | | | | | |
| Stocks | 14 | 408,945 | | 388,016 | |
| Debtors | 15 | 4,498,954 | | 4,190,887 | |
| Cash at bank and in hand | | 52,790 | | 41,290 | |
| | | <u>4,960,689</u> | | <u>4,620,193</u> | |
| Creditors: amounts falling due within one year | 16 | (18,411,814) | | (17,508,246) | |
| Net current liabilities | | | <u>(13,451,125)</u> | | <u>(12,888,053)</u> |
| Total assets less current liabilities | | | <u>79,756,022</u> | | <u>63,773,777</u> |
| Creditors: amounts falling due after more than one year | 17 | | (47,535,001) | | (31,316,667) |
| Provisions for liabilities | | | | | |
| Deferred tax | 19 | | (1,989,899) | | (1,545,379) |
| Deferred income | 20 | | (3,809,346) | | (3,935,536) |
| | | | <u>(5,799,245)</u> | | <u>(5,480,915)</u> |
| Net assets | | | <u>26,421,776</u> | | <u>26,976,195</u> |
| Capital and reserves | | | | | |
| Called up share capital | 21 | | 70,200 | | 70,200 |
| Retained earnings | | | <u>26,351,576</u> | | <u>26,905,995</u> |
| Total shareholders' funds | | | <u>26,421,776</u> | | <u>26,976,195</u> |

The financial statements on pages 9 to 25 were approved and authorised for issue by the board and were signed on its behalf on 29 April 2019.


Mr H J Hastings
 Director

The notes on pages 11 to 25 form part of these financial statements.

Moyola (Cellars) Limited

Notes to the financial statements For the year ended 31 October 2018

1. General information

The principal activities of the company during the year continued to be in the hotel and catering industry in Northern Ireland.

The company is a private limited company by shares and is incorporated in and domiciled in Northern Ireland. The address of the registered office is 1066 House, 587 Upper Newtownards Road, Belfast, BT4 3LP.

2. Statement of compliance

The individual financial statements of Moyola (Cellars) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

3. Accounting policies

3.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis 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 judgment in applying the company's accounting policies (see note 4).

The following principal accounting policies have been applied:

3.2 Going concern

The company's activities, together with factors likely to affect its future development, performance and position are continuously reviewed by the directors. These include the company's cash flow, liquidity position and borrowing facilities. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The company meets its day to day working capital requirements through its banking facilities which are due for renewal in January 2022.

The directors are confident that the company has adequate resources to continue its normal business for the foreseeable future, and accordingly they continue to adopt the going concern basis in preparing the Directors' report and financial statements.

Moyola (Cellars) Limited

Notes to the financial statements For the year ended 31 October 2018

3. Accounting policies (continued)

3.3 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including no objection to the use of exemptions by the company's shareholders.

The company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, required under Section 7 of FRS 102 and paragraph 3.17(d), on the basis that it is a qualifying entity and its ultimate parent company, Hastings Hotels Group Limited includes the company's cash flows in its own consolidated financial statements;
- from disclosing certain financial instruments disclosures, required under FRS 102 paragraph 11.39 to 11.48A and paragraph 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;
- from disclosing the company's key management personnel compensation as required by FRS 102 paragraph 33.7; and
- from disclosing related party transactions that are wholly owned within the same group under paragraph 33.1A from the provisions of FRS 102, on the grounds that at 31 October 2018 it was a wholly owned subsidiary.

3.4 Consolidation

These financial statements contain information about the company as an individual company and do not contain consolidated financial information as the parent undertaking of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent undertaking, Hastings Hotels Group Limited, a company incorporated in Northern Ireland.

3.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenues are primarily derived from the sources below and are generally recognised as services are rendered and when collectibility is reasonably assured. Amounts received in advance of revenue recognition are deferred as liabilities.

Hotel revenues primarily consist of room rentals, food and beverage sales and other ancillary goods and services. Revenues are recorded when rooms are occupied or goods and services have been delivered or rendered.

**Notes to the financial statements
For the year ended 31 October 2018**

3. Accounting policies (continued)

3.6 Tangible assets

Tangible 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.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Depreciation is provided on the following bases:

| | | |
|-------------------------------------------|---|----------------------|
| Freehold and long-term leasehold property | - | 2% straight line |
| Plant and machinery | - | 12.5% straight line |
| Motor vehicles | - | 25% reducing balance |
| Fixtures and fittings | - | 12.5% straight line |

Land is not depreciated.

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

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 within 'other operating income' in the Statement of income and retained earnings.

3.7 Investment properties

Investment properties are stated at fair value. Revaluation surpluses are recognised in the Statement of income and retained earnings. Deferred tax is provided on these gains at the rate expected to apply when the property is sold.

3.8 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

3.9 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.

At each Balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of income and retained earnings.

**Notes to the financial statements
For the year ended 31 October 2018**

3. Accounting policies (continued)

3.10 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.

3.11 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.

3.12 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an 'out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Statement of income and retained earnings if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

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 income and retained earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an 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.

**Notes to the financial statements
For the year ended 31 October 2018**

3. Accounting policies (continued)

3.13 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.

3.14 Finance costs

Finance costs are charged to the Statement of income and retained earnings 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.

3.15 Dividends

Dividends are recognised when they become legally payable. Interim dividends are recognised when paid. Final dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

3.16 Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangements and defined contribution schemes. Short term benefits, such as bonuses and holiday pay are recognised as an expense in the period in which the service is received.

The company contributes to defined contribution schemes for employees and the payments made are charged to the Statement of income and retained earnings in the period to which they relate. 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 when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

3.17 Related parties

Related party transactions and balances are disclosed within note 25. The company is a wholly owned subsidiary of Hastings Hotels Group Limited and is included in the consolidated financial statements of that company. Consequently the company and group have taken advantage of the exemptions contained in FRS 102 section 33, not to disclose transactions and balances with group companies as all the voting rights of the company are controlled within the group.

3.18 Government grants

Grants that relate to specific capital expenditure are treated as deferred income and then credited to the statement of income and retained earnings over the related asset's useful economic life. Grants that relate to revenue expenditure are credited to the Statement of income and retained earnings over the period that the revenue expenditure relates to.

**Notes to the financial statements
For the year ended 31 October 2018**

3. Accounting policies (continued)

3.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of income and retained earnings, 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 balance sheet 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 Balance sheet 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.

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 Balance sheet date.

3.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4. Critical accounting judgements and estimation uncertainty

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

(a) Critical judgements in applying the company's accounting policies

There are no critical judgements in applying the entity's accounting policies.

(b) Critical accounting estimates and assumptions

There are no critical accounting estimates and assumptions.

Moyola (Cellars) Limited

Notes to the financial statements For the year ended 31 October 2018

5. Turnover

The whole of the turnover is attributable to the company's main activity which is carried out in the United Kingdom.

The analysis of turnover by geographical market and by class of business has not been given as the directors consider such disclosure to be seriously prejudicial to the group's interests.

6. Operating profit

The operating profit is stated after charging:

| | 2018 £ | 2017 £ |
|------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Depreciation of tangible assets | 3,619,450 | 2,531,205 |
| Fees payable to the company's auditors and their associates for the audit of the company's annual financial statements | 41,200 | 40,000 |
| Rental income | (157,074) | (189,640) |
| Deferred capital grants released | (126,190) | (126,190) |
| Loss/(profit) on disposal of tangible assets | 1,752 | (220,745) |
| Inventory recognised as an expense | 5,665,051 | 5,554,671 |

The disclosure of fees payable to the company's auditors for other non-audit services has not been made because the consolidated financial statements of the company's parent disclose other non-audit services on a consolidated basis.

7. Employees

Staff costs were as follows:

| | 2018 £ | 2017 £ |
|-----------------------|-------------------|-------------------|
| Wages and salaries | 12,307,209 | 10,871,704 |
| Social security costs | 769,603 | 645,708 |
| Other pensions costs | 150,531 | 88,012 |
| | <u>13,227,343</u> | <u>11,605,424</u> |

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

| | 2018 Number | 2017 Number |
|-----------|----------------|----------------|
| Full-time | 665 | 528 |
| Part-time | 564 | 562 |
| | <u>1,229</u> | <u>1,090</u> |

Moyola (Cellars) Limited

Notes to the financial statements For the year ended 31 October 2018

8. Directors' remuneration

There were no emoluments paid to directors during the year (2017: £Nil). The remuneration for directors is borne by another group company and will be disclosed in the financial statements of Hastings Hotels Group Limited.

9. Interest payable and similar expenses

| | 2018 £ | 2017 £ |
|-----------------------------------------------|------------------|----------------|
| Interest payable on bank loans and overdrafts | <u>1,467,294</u> | <u>699,806</u> |

10. Tax on profit

| | 2018 £ | 2017 £ |
|------------------------------------------------|----------------|----------------|
| Corporation tax | | |
| Current tax on profits for the year | - | (238,856) |
| Adjustments in respect of previous periods | - | 489,779 |
| Total current tax | <u>-</u> | <u>250,923</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 653,762 | 1,397,269 |
| Effects of changes in tax rates | (68,817) | (173,724) |
| Adjustments in respect of previous periods | (140,425) | (678,993) |
| Total deferred tax | <u>444,520</u> | <u>544,552</u> |
| Tax on profit | <u>444,520</u> | <u>795,475</u> |

Moyola (Cellars) Limited

Notes to the financial statements For the year ended 31 October 2018

10. Tax on profit (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017: 19.41%). The differences are explained below:

| | 2018 £ | 2017 £ |
|--------------------------------------------------------------------------------------------------|------------------|------------------|
| Profit before tax | <u>1,890,101</u> | <u>4,731,109</u> |
| Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.41%) | 359,119 | 918,483 |
| Effects of: | | |
| Expenses not deductible and income not taxable | 294,643 | 230,331 |
| Utilisation of tax losses | - | (7,265) |
| Impact of other reliefs | - | 16,076 |
| Adjustments in respect of previous periods | (140,425) | (189,214) |
| Effects of change in tax rates | (68,817) | (172,936) |
| Total tax charge for the year | <u>444,520</u> | <u>795,475</u> |

Factors that may affect future tax charges

The prevailing UK corporation tax rate was substantively enacted as part of the Finance Act 2018 on 15 March 2018. This reduces the main rate of tax to 17% from April 2020. The deferred tax assets and liabilities reflect these rates.

11. Dividends

| | 2018 £ | 2017 £ |
|----------------------------------------------------------|------------------|------------------|
| Interim dividend paid of £28.49 per share (2017: £28.49) | <u>2,000,000</u> | <u>2,000,000</u> |

Moyola (Cellars) Limited

**Notes to the financial statements
For the year ended 31 October 2018**

12. Tangible assets

| | Freehold property £ | Long-term leasehold property £ | Plant and machinery £ | Motor vehicles £ | Fixtures and fittings £ | Investment properties £ | Total £ |
|---------------------------------|---------------------------|-----------------------------------------|-----------------------------|------------------------|-------------------------------|-------------------------------|-------------|
| Cost or valuation | | | | | | | |
| At 1 November 2017 | 79,823,175 | 7,038,080 | 28,506,953 | 192,033 | 24,560,391 | 1,477,314 | 141,597,946 |
| Additions | 17,223,241 | - | 509,051 | 75,350 | 2,860,902 | - | 20,668,544 |
| Transfers | (16,886,507) | - | 11,731,400 | - | 5,155,107 | - | - |
| Disposals | - | - | - | (24,500) | - | - | (24,500) |
| At 31 October 2018 | 80,159,909 | 7,038,080 | 40,747,404 | 242,883 | 32,576,400 | 1,477,314 | 162,241,990 |
| Accumulated depreciation | | | | | | | |
| At 1 November 2017 | 15,514,003 | 2,955,772 | 25,506,780 | 99,679 | 21,355,907 | - | 65,432,141 |
| Charge for the year | 1,165,056 | 140,762 | 1,173,683 | 39,988 | 1,099,961 | - | 3,619,450 |
| Disposals | - | - | - | (16,748) | - | - | (16,748) |
| At 31 October 2018 | 16,679,059 | 3,096,534 | 26,680,463 | 122,919 | 22,455,868 | - | 69,034,843 |
| Net book value | | | | | | | |
| At 31 October 2018 | 63,480,850 | 3,941,546 | 14,066,941 | 119,964 | 10,120,532 | 1,477,314 | 93,207,147 |
| At 31 October 2017 | 64,309,172 | 4,082,308 | 3,000,173 | 92,354 | 3,204,484 | 1,477,314 | 76,165,805 |

Moyola (Cellars) Limited

Notes to the financial statements For the year ended 31 October 2018

12. Tangible assets (continued)

The directors are of the opinion that the current open market value of the investment properties is not materially different from the fair value.

Tangible assets include secured assets with a net book value of £93,087,183 (2017: £75,573,451).

Tangible assets also include £Nil (2017: £32,504,696) in respect of an asset under construction.

13. Investments

| | Investments in subsidiary companies £ |
|--------------------------|---------------------------------------------------|
| Cost or valuation | |
| At 1 November 2017 | 496,025 |
| At 31 October 2018 | 496,025 |
| Impairment | |
| Charge for the year | 496,025 |
| At 31 October 2018 | 496,025 |
| At 31 October 2018 | |
| At 31 October 2017 | 496,025 |

Subsidiary undertaking

The following is a subsidiary undertaking of the company:

| Name | Country of incorporation | Class of shares | Holding | Principal activity |
|----------------------------------------------|-----------------------------|--------------------|---------|-----------------------|
| Moyola Night Clubs Limited | Northern Ireland | Ordinary | 58% | Dormant |
| Russel Bedford Street Investments Limited | Northern Ireland | Ordinary | 100% | Dormant |

The registered office of the subsidiary undertaking is Corporate Head Office, 1066 House, 587 Upper Newtownards Road, Belfast, BT4 3LP.

On 22 January 2019 Russell Bedford Street Investments Limited was dissolved.

Moyola (Cellars) Limited

Notes to the financial statements For the year ended 31 October 2018

14. Stocks

| | 2018 £ | 2017 £ |
|-------------------------------|----------------|----------------|
| Foodstuff and crockery | 81,612 | 77,651 |
| Drinks | 260,457 | 235,726 |
| Beauty and gift shop products | 66,876 | 74,639 |
| | <u>408,945</u> | <u>388,016</u> |

The difference between the purchase price of stocks and their replacement cost is not material.

15. Debtors

| | 2018 £ | 2017 £ |
|----------------------------------------------|------------------|------------------|
| Trade debtors | 2,967,966 | 2,556,745 |
| Amounts owed by group undertakings (note 24) | 7,291 | 10,836 |
| Corporation tax | 752,143 | 752,143 |
| Other tax and social security | 372,815 | 473,126 |
| Prepayments and accrued income | 398,739 | 398,037 |
| | <u>4,498,954</u> | <u>4,190,887</u> |

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

16. Creditors: amounts falling due within one year

| | 2018 £ | 2017 £ |
|----------------------------------------------|-------------------|-------------------|
| Bank overdrafts (note 18) | 818,228 | 466,718 |
| Bank loans (note 18) | 2,666,666 | 1,333,333 |
| Trade creditors | 2,177,731 | 2,095,427 |
| Amounts owed to group undertakings (note 24) | 6,592,334 | 6,463,178 |
| Other tax and social security | 1,229,978 | - |
| Room deposits received | 2,236,892 | 1,869,860 |
| Accruals and deferred income | 2,689,985 | 5,279,730 |
| | <u>18,411,814</u> | <u>17,508,246</u> |

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

Moyola (Cellars) Limited

**Notes to the financial statements
For the year ended 31 October 2018**

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

| | 2018 £ | 2017 £ |
|----------------------|-------------------|-------------------|
| Bank loans (note 18) | <u>47,535,001</u> | <u>31,316,667</u> |

18. Loans and other borrowings

Analysis of the maturity of loans and other borrowings are given below:

| | 2018 £ | 2017 £ |
|--------------------------------------------|-------------------|-------------------|
| Amounts falling due within one year | | |
| Bank overdrafts | 818,228 | 466,718 |
| Bank loans | 2,666,666 | 1,333,333 |
| | <u>3,484,894</u> | <u>1,800,051</u> |
| Amounts falling due 1-2 years | | |
| Bank loans | 2,666,666 | 2,666,666 |
| Amounts falling due 2-5 years | | |
| Bank loans | 44,868,335 | 28,650,001 |
| | <u>51,019,895</u> | <u>33,116,718</u> |

The bank loans and overdrafts of £51,019,895 (2017: £33,116,718) are secured by a first legal mortgage over the company's properties, a mortgage debenture over all company assets and an unlimited cross guarantee with the parent company in respect of each other's liabilities to the bank.

19. Deferred taxation

| | 2018 £ | 2017 £ |
|------------------------------------------------------|--------------------|--------------------|
| At beginning of year | (1,545,379) | (1,000,829) |
| Charged to Statement of income and retained earnings | (444,520) | (544,550) |
| At end of year | <u>(1,989,899)</u> | <u>(1,545,379)</u> |

Moyola (Cellars) Limited

Notes to the financial statements For the year ended 31 October 2018

19. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

| | 2018 £ | 2017 £ |
|--------------------------------|--------------------|--------------------|
| Accelerated capital allowances | (2,054,516) | (1,573,678) |
| Losses | 64,617 | 28,299 |
| | <u>(1,989,899)</u> | <u>(1,545,379)</u> |

20. Deferred income

| | Capital grant £ |
|-------------------------------------------------------|--------------------|
| At 1 November 2017 | 3,935,536 |
| Released to Statement of income and retained earnings | (126,190) |
| At 31 October 2018 | <u>3,809,346</u> |

21. Called up share capital

| | 2018 £ | 2017 £ |
|--------------------------------------------------|---------------|---------------|
| Allotted and fully paid | | |
| 70,200 (2017: 70,200) Ordinary shares of £1 each | <u>70,200</u> | <u>70,200</u> |

22. Contingent liabilities

The company has signed, together with Hastings Hotels Group Limited, William Hastings (Belfast) Limited, Whites Hotels Limited and Fir Trees Lodge Hotel (1985) Limited, a joint and several letter of unlimited cross guarantee dated 24 July 1997 to secure the bank loan and overdraft of the group companies. There are no present indications that the company will be called on to honour its overdraft guarantee.

There is also a contingent liability to repay certain government grants received under terms of letters of offer from the Northern Ireland Tourist Board and Invest NI if the company fails to comply with stated conditions. In the opinion of the directors the terms of the letter of offer have been complied with and no loss is expected.

As permitted by FRS 102, in order not to prejudice the outcomes of the proceedings and the interests of the company, we have not made any further disclosures about estimates in connection with the financial effects of, and disclosures about, uncertainty regarding the timing or amount of contingent liabilities in connection with a claim brought against the company by a member of the public.

Moyola (Cellars) Limited

Notes to the financial statements For the year ended 31 October 2018

23. Capital commitments

At 31 October 2018 the company had capital commitments as follows:

| | 2018 £ | 2017 £ |
|---------------------------------------------------------------|------------------|-------------------|
| Contracted for but not provided in these financial statements | <u>1,123,000</u> | <u>16,000,000</u> |

24. Related party transactions

The company has taken advantage of the exemption under paragraph 33.1A from the provisions of FRS 102, on the grounds that at 31 October 2018 it was a wholly owned subsidiary.

25. Ultimate parent undertaking and ultimate controlling party

The company's immediate and ultimate parent undertaking is Hastings Hotels Group Limited, a company incorporated in Northern Ireland. The smallest and largest group of undertakings for which group financial statements are drawn up and of which the company is a member is Hastings Hotels Group Limited. Copies of the group financial statements are available to the public from Companies House, Belfast, Second Floor, The Linenhall, 32-38 Linenhall Street, Northern Ireland, BT2 8BG.