

Armagh City Hotel Limited

Annual Report and Financial Statements

for the Year Ended 31 July 2020

Armagh City Hotel Limited

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Armagh City Hotel Limited

Company Information

Directors	Mr T E Fisher Mr K McAnallen Mr B McCormack Mr F Mooney
Company secretary	Mr F Mooney
Registered office	Armagh City Hotel Friary Road Armagh Co Armagh BT60 4FR
Solicitors	Carson McDowell LLP Murray House Murray Street Belfast BT1 6DN
Bankers	Bank of Ireland University Road University Rd Belfast BT7 1NH
Auditors	McKeague Morgan & Company 27 College Gardens Belfast BT9 6BS

Armagh City Hotel Limited

Strategic Report For the Year Ended 31 July 2020

The directors present their strategic report for the year ended 31 July 2020.

Principal activity

The principal activity of the company is that of the operation of a hotel complex.

Fair review of the business

The financial statements for the year ended 31 July 2020 includes the first 4 months of the COVID-19 pandemic which has had a severe impact on the hospitality industry, with the intermittent national lockdowns on society causing the hotel to close for various periods. The company has taken measures to control costs where possible and manage the company's liquidity through this uncertain period.

The company's trading prior to the COVID-19 pandemic was encouraging, however the overall performance during the year in light of the temporary hotel closures was disappointing but unavoidable.

The significant decrease in gross profit as detailed below is in part attributable to the staff costs of furloughed workers included within cost of sales.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2020	2019
Turnover	£000s	3,910	5,487
Gross profit	%	27	38
EBITDA	£000s	234	605

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to speed of the societal recovery from the COVID-19 pandemic, competitor activity, market trends and forecasts and customer behaviour. These risks are addressed by the board carrying out regular strategic reviews including assessments of competitor activity and the board's active review of competitor prices, which both provides protection and maximises opportunities. These risks are also addressed through strong customer service as well as investment in its people and facilities.

Approved by the Board on 25 March 2021 and signed on its behalf by:

.....
Mr K McAnallen
Director

.....
Mr F Mooney
Company secretary and director

Armagh City Hotel Limited

Directors' Report For the Year Ended 31 July 2020

The directors present their report and the financial statements for the year ended 31 July 2020.

Directors of the company

The directors who held office during the year were as follows:

Mr T E Fisher

Mr K McAnallen

Mr B McCormack

Mr F Mooney - Company secretary and director

Dividends

Interim dividends of £200,000 were paid during the year (2019 - £400,000). The directors do not recommend the payment of a final dividend (2019 - £Nil).

Financial instruments

Objectives and policies

The company's operations expose it to a variety of financial risks that include 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 subcommittee of the board. The policies set by the board of directors are implemented by the company's finance department.

Price risk, credit risk, liquidity risk and cash flow risk

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made.

Liquidity and cash flow risk

The company's policy is to ensure that sufficient resources are available either from cash balances, cash flows and near cash liquid investments to ensure all obligations can be met when they fall due.

Foreign exchange risk

The operations of the company are wholly in the United Kingdom, and as a result its exposure to foreign exchange risk is negligible.

Environmental matters

The company recognises its corporate responsibility to carry out its operations whilst minimising environmental impacts. The directors' continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible.

Armagh City Hotel Limited

Directors' Report For the Year Ended 31 July 2020

Health and safety

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

Human resources

The management of the company recognises that its 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.

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the company will continue to be able to meet its liabilities as they fall due for the foreseeable future. The directors continually review the trading and financial position of the company and assess its future prospects, liquidity and borrowing position.

A major priority for the company is the review and monitoring of the impact of the ongoing COVID-19 pandemic on the current and future operations of the business and its ability to continue as a going concern. Financial forecasts have been prepared which indicate that the company can continue as a going concern for a period of at least 12 months from the signing of the financial statements, though this depends on when the resumption of trade will be, and the restoration of turnover and profitability to pre-COVID-19 levels and the continued support from the company's bank.

Whilst there is still major uncertainty in the hospitality industry, this has been alleviated by the success of the COVID-19 vaccination programme and the government's broad plans to restart the economy. At the year end the company's only bank borrowing was a bank overdraft of £50,262. This very low gearing placed the company in a strong financial position to cope with the impact of the pandemic. The company secured CBILS borrowings in November 2020 to aid working capital, which together with its existing overdraft facility is considered to be adequate funding to enable it to continue as a going concern.

The directors are optimistic that the pent up demand for hospitality services will see a strong return on food and drink turnover when restrictions are eased, with accommodation income returning at a slower rate. The company's trading during the easing of restrictions in August 2020 was indicative of this. Until this time, the directors believe that they will be able to manage cash flows within the existing facilities, and can access further funding if required. On this basis the directors believe it is appropriate to prepare the financial statements on the going concern basis.

Armagh City Hotel Limited

Directors' Report For the Year Ended 31 July 2020

Disclosure of information to the auditors

Each director has taken 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. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 25 March 2021 and signed on its behalf by:

.....
Mr K McAnallen
Director

.....
Mr F Mooney
Company secretary and director

Armagh City Hotel Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual 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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and 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.

Armagh City Hotel Limited

Independent Auditor's Report to the Members of Armagh City Hotel Limited

Opinion

We have audited the financial statements of Armagh City Hotel Limited (the 'company') for the year ended 31 July 2020, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and 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 July 2020 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

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.

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

However, because not all future events or conditions can be predicted, especially in this COVID-19 pandemic environment, this statement is not a guarantee as to the company's ability to continue as a going concern.

Armagh City Hotel Limited

Independent Auditor's Report to the Members of Armagh City Hotel Limited

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.

Opinion on other matter 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 our 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 the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 6], 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.

Armagh City Hotel Limited

Independent Auditor's Report to the Members of Armagh City Hotel Limited

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 on the Financial Reporting Council's website at 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 members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

.....
Stephen Morgan (Senior Statutory Auditor)
For and on behalf of McKeague Morgan & Company, Statutory Auditor
27 College Gardens
Belfast
BT9 6BS

25 March 2021

Armagh City Hotel Limited

Profit and Loss Account **For the Year Ended 31 July 2020**

	Note	2020 £	2019 £
Turnover	<u>4</u>	3,909,604	5,486,814
Cost of sales		<u>(2,860,994)</u>	<u>(3,417,396)</u>
Gross profit		1,048,610	2,069,418
Administrative expenses		(1,525,997)	(1,709,558)
Other operating income	<u>5</u>	<u>405,794</u>	<u>-</u>
Operating (loss)/profit	<u>7</u>	(71,593)	359,860
Interest payable and similar expenses	<u>8</u>	<u>(1,026)</u>	<u>(474)</u>
(Loss)/profit before tax		(72,619)	359,386
Taxation	<u>11</u>	<u>14,137</u>	<u>(87,479)</u>
(Loss)/profit for the financial year		<u><u>(58,482)</u></u>	<u><u>271,907</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

Armagh City Hotel Limited

Statement of Comprehensive Income For the Year Ended 31 July 2020

	2020 £	2019 £
(Loss)/profit for the year	<u>(58,482)</u>	<u>271,907</u>
Total comprehensive income for the year	<u><u>(58,482)</u></u>	<u><u>271,907</u></u>

Armagh City Hotel Limited

(Registration number: N1030708)

Balance Sheet as at 31 July 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	<u>12</u>	6,258,842	6,147,213
Current assets			
Stocks	<u>13</u>	131,640	133,840
Debtors	<u>14</u>	111,117	246,775
Cash at bank and in hand		18,920	192,472
		<u>261,677</u>	<u>573,087</u>
Creditors: Amounts falling due within one year	<u>16</u>	<u>(847,940)</u>	<u>(786,205)</u>
Net current liabilities		<u>(586,263)</u>	<u>(213,118)</u>
Total assets less current liabilities		5,672,579	5,934,095
Provisions for liabilities	<u>17</u>	<u>(78,313)</u>	<u>(81,347)</u>
Net assets		<u>5,594,266</u>	<u>5,852,748</u>
Capital and reserves			
Called up share capital	<u>19</u>	1,539,700	1,539,700
Share premium reserve		1,013,302	1,013,302
Revaluation reserve		727,010	727,010
Profit and loss account		<u>2,314,254</u>	<u>2,572,736</u>
Total equity		<u>5,594,266</u>	<u>5,852,748</u>

Approved and authorised by the Board on 25 March 2021 and signed on its behalf by:

.....

Mr K McAnallen
Director

Armagh City Hotel Limited

Statement of Changes in Equity For the Year Ended 31 July 2020

	Share capital £	Share premium £	Revaluation reserve £	Profit and loss account £	Total £
At 1 August 2019	1,539,700	1,013,302	727,010	2,572,736	5,852,748
Loss for the year	-	-	-	(58,482)	(58,482)
Total comprehensive income	-	-	-	(58,482)	(58,482)
Dividends	-	-	-	(200,000)	(200,000)
At 31 July 2020	1,539,700	1,013,302	727,010	2,314,254	5,594,266
	Share capital £	Share premium £	Revaluation reserve £	Profit and loss account £	Total £
At 1 August 2018	1,539,700	1,013,302	727,010	2,700,829	5,980,841
Profit for the year	-	-	-	271,907	271,907
Total comprehensive income	-	-	-	271,907	271,907
Dividends	-	-	-	(400,000)	(400,000)
At 31 July 2019	1,539,700	1,013,302	727,010	2,572,736	5,852,748

Armagh City Hotel Limited

Statement of Cash Flows **For the Year Ended 31 July 2020**

	Note	2020 £	2019 £
Cash flows from operating activities			
(Loss)/profit for the year		(58,482)	271,907
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	<u>7</u>	305,575	244,944
Profit on disposal of tangible assets	<u>6</u>	(267)	-
Finance costs	<u>8</u>	1,026	474
Income tax expense	<u>11</u>	(14,137)	87,479
		<u>233,715</u>	<u>604,804</u>
Working capital adjustments			
Decrease/(increase) in stocks	<u>13</u>	2,200	(24,210)
Decrease/(increase) in debtors	<u>14</u>	135,658	(58,945)
Increase/(decrease) in creditors	<u>16</u>	22,577	(10,576)
Cash generated from operations		<u>394,150</u>	<u>511,073</u>
Income taxes paid	<u>11</u>	(1)	(94,402)
Net cash flow from operating activities		<u>394,149</u>	<u>416,671</u>
Cash flows from investing activities			
Acquisitions of tangible assets		(417,204)	(160,726)
Proceeds from sale of tangible assets		<u>267</u>	<u>-</u>
Net cash flows from investing activities		<u>(416,937)</u>	<u>(160,726)</u>
Cash flows from financing activities			
Interest paid	<u>8</u>	(1,026)	(474)
Dividends paid	<u>21</u>	(200,000)	(400,000)
Net cash flows from financing activities		<u>(201,026)</u>	<u>(400,474)</u>
Net decrease in cash and cash equivalents		<u>(223,814)</u>	<u>(144,529)</u>
Cash and cash equivalents at 1 August		<u>192,472</u>	<u>337,001</u>
Cash and cash equivalents at 31 July	<u>15</u>	<u>(31,342)</u>	<u>192,472</u>

Armagh City Hotel Limited

Notes to the Financial Statements For the Year Ended 31 July 2020

1 General information

The company is a private company limited by share capital, incorporated in the United Kingdom.

The address of its registered office is:

Armagh City Hotel
Friary Road
Armagh
Co Armagh
BT60 4FR
Northern Ireland

These financial statements were authorised for issue by the Board on 25 March 2021.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Armagh City Hotel Limited

Notes to the Financial Statements For the Year Ended 31 July 2020

2 Accounting policies (continued)

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the company will continue to be able to meet its liabilities as they fall due for the foreseeable future. The directors continually review the trading and financial position of the company and assess its future prospects, liquidity and borrowing position.

A major priority for the company is the review and monitoring of the impact of the ongoing COVID-19 pandemic on the current and future operations of the business and its ability to continue as a going concern. Financial forecasts have been prepared which indicate that the company can continue as a going concern for a period of at least 12 months from the signing of the financial statements, though this depends on when the resumption of trade will be, and the restoration of turnover and profitability to pre-COVID-19 levels and the continued support from the company's bank.

Whilst there is still major uncertainty in the hospitality industry, this has been alleviated by the success of the COVID-19 vaccination programme and the government's broad plans to restart the economy. At the year end the company's only bank borrowing was a bank overdraft of £50,262. This very low gearing placed the company in a strong financial position to cope with the impact of the pandemic. The company secured CBILS borrowings in November 2020 to aid working capital, which together with its existing overdraft facility is considered to be adequate funding to enable it to continue as a going concern.

The directors are optimistic that the pent up demand for hospitality services will see a strong return on food and drink turnover when restrictions are eased, with accommodation income returning at a slower rate. The company's trading during the easing of restrictions in August 2020 was indicative of this. Until this time, the directors believe that they will be able to manage cash flows within the existing facilities, and can access further funding if required. On this basis the directors believe it is appropriate to prepare the financial statements on the going concern basis.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The company recognises revenue when:

The amount of revenue can be reliably measured;
it is probable that future economic benefits will flow to the entity;
and specific criteria have been met for each of the company's activities.

Tax

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

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 taxable income.

Armagh City Hotel Limited

Notes to the Financial Statements For the Year Ended 31 July 2020

2 Accounting policies (continued)

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

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

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Land	Not depreciated
Freehold property	2% straight line
Plant and machinery	12.5% straight line
Fixtures and fittings	25% straight line
Computer equipment	25% straight line
Other fixed assets	20-25% straight line

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Armagh City Hotel Limited

Notes to the Financial Statements For the Year Ended 31 July 2020

2 Accounting policies (continued)

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

3 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of revision and future periods where the revision affects both current and future periods.

Armagh City Hotel Limited

Notes to the Financial Statements For the Year Ended 31 July 2020

3 Judgements and key sources of estimation uncertainty (continued)

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Useful economic life of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Inventory provision

The company considers the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

4 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2020 £	2019 £
Sale of goods	3,812,304	5,387,214
Other revenue	97,300	99,600
	<u>3,909,604</u>	<u>5,486,814</u>

5 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2020 £	2019 £
Government grants	<u>405,794</u>	<u>-</u>

6 Other gains and losses

The analysis of the company's other gains and losses for the year is as follows:

	2020 £	2019 £
Gain (loss) on disposal of property, plant and equipment	<u>267</u>	<u>-</u>

Armagh City Hotel Limited

Notes to the Financial Statements For the Year Ended 31 July 2020

7 Operating (loss)/profit

Arrived at after charging/(crediting)

	2020	2019
	£	£
Depreciation expense	305,575	244,944
Profit on disposal of property, plant and equipment	(267)	-

8 Interest payable and similar expenses

	2020	2019
	£	£
Interest on bank overdrafts and borrowings	498	-
Interest expense on other finance liabilities	528	474
	1,026	474

9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020	2019
	£	£
Wages and salaries	1,948,820	2,115,346
Social security costs	102,774	103,047
Pension costs, defined contribution scheme	28,279	23,141
	2,079,873	2,241,534

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2020	2019
	No.	No.
Administration and support	5	7
Sales	175	186
	180	193

10 Auditors' remuneration

	2020	2019
	£	£
Audit of the financial statements	12,530	13,700

Armagh City Hotel Limited

Notes to the Financial Statements For the Year Ended 31 July 2020

11 Taxation

Tax charged/(credited) in the income statement

	2020 £	2019 £
Current taxation		
UK corporation tax	-	82,680
UK corporation tax adjustment to prior periods	(11,103)	91
	<u>(11,103)</u>	<u>82,771</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(3,034)	5,262
Arising from changes in tax rates and laws	-	(554)
	<u>(3,034)</u>	<u>4,708</u>
Total deferred taxation	<u>(3,034)</u>	<u>4,708</u>
Tax (receipt)/expense in the income statement	<u>(14,137)</u>	<u>87,479</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2019 - the same as the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
(Loss)/profit before tax	<u>(72,619)</u>	<u>359,386</u>
Corporation tax at standard rate	(13,798)	68,283
Effect of expense not deductible in determining taxable profit (tax loss)	244	127
Deferred tax credit relating to changes in tax rates or laws	-	(554)
Deferred tax (credit)/expense from unrecognised tax loss or credit	(3,034)	5,262
Increase/(decrease) in UK and foreign current tax from adjustment for prior periods	1,644	(1,552)
Tax increase from effect of capital allowances and depreciation	<u>807</u>	<u>15,913</u>
Total tax (credit)/charge	<u>(14,137)</u>	<u>87,479</u>

Armagh City Hotel Limited

Notes to the Financial Statements For the Year Ended 31 July 2020

11 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities

2020

Liability
£

Accelerated capital allowances

78,313

2019

Liability
£

Accelerated capital allowances

81,347

Armagh City Hotel Limited

Notes to the Financial Statements For the Year Ended 31 July 2020

12 Tangible assets

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Office equipment £	Other tangible assets £	
Cost or valuation						
At 1 August 2019	6,000,000	3,483,728	1,769,307	631,016	426,973	12
Additions	-	81,978	273,139	28,586	33,501	
At 31 July 2020	6,000,000	3,565,706	2,042,446	659,602	460,474	12
Depreciation						
At 1 August 2019	321,000	3,289,686	1,619,799	567,685	365,641	6
Charge for the year	107,000	44,773	99,597	28,840	25,365	
At 31 July 2020	428,000	3,334,459	1,719,396	596,525	391,006	6
Carrying amount						
At 31 July 2020	5,572,000	231,247	323,050	63,077	69,468	6
At 31 July 2019	5,679,000	194,041	149,509	63,331	61,332	6

Included within the net book value of land and buildings above is £5,572,000 (2019 - £5,679,000) in respect of freehold land and buildings.

Armagh City Hotel Limited

Notes to the Financial Statements For the Year Ended 31 July 2020

12 Tangible assets (continued)

Revaluation

The company's freehold land and buildings were revalued on 12 April 2017 on the basis of open market value for existing use by an independent valuer.

The directors do not consider there is any material change in the value at 31 July 2020. The valuations were undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors in the United Kingdom by CBRE.

Had this class of asset been measured on a historical cost basis, the carrying amount would have been £4,787,561 (2019 - £4,894,561).

13 Stocks

	2020 £	2019 £
Consumables	86,285	76,000
Goods for resale	45,355	57,840
	<u>131,640</u>	<u>133,840</u>

14 Debtors

	Note	2020 £	2019 £
Trade debtors		17,473	122,931
Amounts owed by related parties	<u>22</u>	6,527	-
Other debtors		70,751	11,575
Prepayments		16,366	112,269
		<u>111,117</u>	<u>246,775</u>

15 Cash and cash equivalents

	2020 £	2019 £
Cash on hand	18,920	21,350
Cash at bank	-	171,122
	<u>18,920</u>	<u>192,472</u>
Bank overdrafts	(50,262)	-
Cash and cash equivalents in statement of cash flows	<u>(31,342)</u>	<u>192,472</u>

Armagh City Hotel Limited

Notes to the Financial Statements For the Year Ended 31 July 2020

16 Creditors

	Note	2020 £	2019 £
Due within one year			
Loans and borrowings	<u>20</u>	50,262	-
Trade creditors		212,233	238,835
Amounts due to related parties	<u>22</u>	13,238	5,332
Social security and other taxes		225,215	196,464
Outstanding defined contribution pension costs		2,865	1,583
Other payables		26,095	24,202
Accrued expenses		246,864	237,517
Corporation tax liability		71,168	82,272
		<u>847,940</u>	<u>786,205</u>

17 Provisions for liabilities

	Deferred tax £	Total £
At 1 August 2019	81,347	81,347
Increase (decrease) in existing provisions	<u>(3,034)</u>	<u>(3,034)</u>
At 31 July 2020	<u>78,313</u>	<u>78,313</u>

18 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £28,279 (2019 - £23,141).

Contributions totalling £2,865 (2019 - £1,583) were payable to the scheme at the end of the year and are included in creditors.

Armagh City Hotel Limited

Notes to the Financial Statements For the Year Ended 31 July 2020

19 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary A shares of £1 each	1,154,775	1,154,775	1,154,775	1,154,775
Ordinary B shares of £1 each	384,925	384,925	384,925	384,925
	<u>1,539,700</u>	<u>1,539,700</u>	<u>1,539,700</u>	<u>1,539,700</u>

20 Loans and borrowings

	2020	2019
	£	£
Current loans and borrowings		
Bank overdrafts	<u>50,262</u>	<u>-</u>

21 Dividends

Interim dividends paid

	2020	2019
	£	£
Interim dividend of £0.13 (2019 - £0.26) per each Ordinary A shares	150,000	300,000
Interim dividend of £0.13 (2019 - £0.26) per each Ordinary B shares	<u>50,000</u>	<u>100,000</u>
	<u>200,000</u>	<u>400,000</u>

22 Related party transactions

Transactions with directors

	At 1 August 2019	At 31 July 2020
	£	£
2020		
Mr B McCormack		
Loan	2,560	2,560
	<u></u>	<u></u>
Mr K McAnallen		
Loan	3,742	3,742
	<u></u>	<u></u>

Armagh City Hotel Limited

Notes to the Financial Statements For the Year Ended 31 July 2020

22 Related party transactions (continued)

	At 1 August 2018 £	At 31 July 2019 £
2019		
Mr B McCormack		
Loan	2,560	2,560
Mr K McAnallen		
Loan	3,742	3,742

Summary of transactions with other related parties

The company has identified the following transactions which are disclosable under the terms of FRS 102 "Related Party Disclosures":

(a) Dunadry Development Company Limited, a shareholder in Armagh City Hotel Limited, and of which F Mooney is a director, traded with the company during the year under the same terms as those available to other customers in the ordinary course of business. During the year Dunadry Development Company Limited raised a management charge of £135,000 (2019 - £180,000) to Armagh City Hotel Limited.

The amount due from Dunadry Development Company Limited at 31 July 2020 was £6,527 (2019 - £Nil).

(b) Wellington Park Hotel Ltd, a subsidiary company of Dunadry Development Company Limited, and of which F Mooney is a director, traded with Armagh City Hotel under the same terms as those available to other customers in the ordinary course of business.

The amount due to Wellington Park Hotel Ltd at 31 July 2020 was £11,752 (2019 - £Nil).

(c) Friary Road Enterprises Limited, of which K McAnallen, T E Fisher, B McCormack and F Mooney are directors, traded with Armagh City Hotel under the same terms as those available to other customers in the ordinary course of business.

The amount due to Friary Road Enterprises Limited at 31 July 2020 was £1,486 (2019 - £5,332).

Loans to related parties

	Other related parties £	Total £
2020		
At start of period	-	-
Advanced	78,910	78,910
Repaid	(72,383)	(72,383)
At end of period	6,527	6,527

Armagh City Hotel Limited

Notes to the Financial Statements For the Year Ended 31 July 2020

22 Related party transactions (continued)

Loans from related parties

	Other related parties £	Total £
2020		
At start of period	5,332	5,332
Advanced	34,908	34,908
Repaid	(27,002)	(27,002)
	<hr/>	<hr/>
At end of period	13,238	13,238
	<hr/>	<hr/>
	Other related parties £	Total £
2019		
At start of period	29	29
Advanced	8,919	8,919
Repaid	(3,616)	(3,616)
	<hr/>	<hr/>
At end of period	5,332	5,332
	<hr/>	<hr/>

27 College Gardens

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