

REGISTERED NUMBER: SC604838 (Scotland)

Companies House

SMART DREAM HOTELS LTD
STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2023

Milne Craig
Chartered accountants
Statutory auditor
Abercorn House
79 Renfrew Road
Paisley
Renfrewshire
PA3 4DA



SMART DREAM HOTELS LTD

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FOR THE YEAR ENDED 31 MAY 2023**

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SMART DREAM HOTELS LTD
COMPANY INFORMATION
FOR THE YEAR ENDED 31 MAY 2023

DIRECTORS: Margaret Craigie Smart
Colin Methven Smart

REGISTERED OFFICE: Dean Park Hotel
Chapel Level
Kirkcaldy
Fife
KY2 6HF

REGISTERED NUMBER: SC604838 (Scotland)

AUDITORS: Milne Craig
Chartered accountants
Statutory auditor
Abercorn House
79 Renfrew Road
Paisley
Renfrewshire
PA3 4DA

BANKERS: HSBC
Hobart House
76 Hanover Street
Edinburgh
EH2 1HQ

SOLICITORS: Andrew K Price
18 Whytecauseway
Kirkcaldy
Fife
KY1 1XF

SMART DREAM HOTELS LTD
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MAY 2023

The directors present their strategic report for the year ended 31 May 2023.

The principal activity of the company in the year under review was that of hotel operators.

REVIEW OF BUSINESS

The key financial highlights are as follows:

| | 2023 £ | 2022 £ | 2021 £ |
|----------------------------|-----------|-----------|-----------|
| Turnover | 2,407,005 | 1,996,974 | 595,678 |
| Turnover growth/(decrease) | 20.53% | 235.24% | 2.80% |
| Profit/(Loss) before tax | (770,951) | (789,759) | (829,264) |

The net liabilities of the company have increased from £2,020,556 at 31st May 2022 to £2,791,507 at 31st May 2023.

PRINCIPAL RISKS AND UNCERTAINTIES

The trading environment is difficult given the current economic conditions, but the directors consider that the business is well placed to grow following recent investments and operational improvements. The directors seek to control overhead costs and maintain margins in order to generate future profits.

Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

FINANCIAL INSTRUMENTS

The company's principal financial instruments comprise bank balances, trade creditors, bank loans and director's loan accounts. The main purpose of these instruments is to finance the company's operations.

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

ON BEHALF OF THE BOARD:



Colin Methven Smart - Director

29 January 2024

SMART DREAM HOTELS LTD
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2023

The directors present their report with the financial statements of the company for the year ended 31 May 2023.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of hotel operators.

DIVIDENDS

No dividends will be distributed for the year ended 31 May 2023.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 June 2022 to the date of this report.

Margaret Craigie Smart
Colin Methven Smart

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Milne Craig, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



Colin Methven Smart - Director

29 January 2024

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SMART DREAM HOTELS LTD

Opinion

We have audited the financial statements of Smart Dream Hotels Ltd (the 'company') for the year ended 31 May 2023 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
SMART DREAM HOTELS LTD**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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

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

Responsibilities of directors

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

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SMART DREAM HOTELS LTD

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company, and determined that the most significant are those that relate to the form and content of the financial statements such as the accounting policies and the UK Companies Act 2006.

We assessed how the company is complying with these frameworks by observing the oversight of those charged with governance, the culture of honesty and ethical behaviours and a strong emphasis placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by making an assessment of the key fraud risks to the company, and the manner in which such risks may occur in practice, based on our previous knowledge of the company, as well as an assessment of the current business environment.

Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Where the risk was considered higher, we performed audit procedures to address each identified fraud risk, including management override of controls. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error. We evaluated the design and operational effectiveness of controls put in place to address the risks identified, or that otherwise prevent, deter and detect fraud.

In addition, our audit procedures included enquiring of management concerning actual and potential litigation and claims, and performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud. We addressed the fraud risk in relation to revenue recognition by testing completeness and cut off of income.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards.

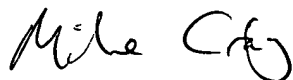
As with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance, and cannot be expected to detect non-compliance with all laws and regulations.

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
SMART DREAM HOTELS LTD**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Alex Webb BAcc FCCA (Senior Statutory Auditor)

for and on behalf of Milne Craig

Chartered accountants

Statutory auditor

Abercorn House

79 Renfrew Road

Paisley

Renfrewshire

PA3 4DA

29 January 2024

SMART DREAM HOTELS LTD
STATEMENT OF COMPREHENSIVE
INCOME
FOR THE YEAR ENDED 31 MAY 2023

| | Notes | 2023 £ | 2022 £ |
|---------------------------------------|-------|-------------|-------------|
| TURNOVER | | 2,407,005 | 1,996,974 |
| Cost of sales | | (2,126,156) | (1,947,755) |
| GROSS PROFIT | | 280,849 | 49,219 |
| Administrative expenses | | (884,590) | (790,614) |
| | | (603,741) | (741,395) |
| Other operating income | | 3,000 | 10,475 |
| OPERATING LOSS | | (600,741) | (730,920) |
| Interest payable and similar expenses | 4 | (170,210) | (58,839) |
| LOSS BEFORE TAXATION | 5 | (770,951) | (789,759) |
| Tax on loss | 6 | - | - |
| LOSS FOR THE FINANCIAL YEAR | | (770,951) | (789,759) |
| OTHER COMPREHENSIVE INCOME | | - | - |
| TOTAL COMPREHENSIVE INCOME | | | |
| FOR THE YEAR | | (770,951) | (789,759) |

The notes form part of these financial statements

SMART DREAM HOTELS LTD (REGISTERED NUMBER: SC604838)

**BALANCE SHEET
31 MAY 2023**

| | Notes | 2023 £ | 2022 £ |
|--|-------|--------------------|--------------------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | 6,062,092 | 5,031,467 |
| CURRENT ASSETS | | | |
| Stocks | 8 | 40,931 | 37,710 |
| Debtors | 9 | 225,220 | 140,634 |
| Cash at bank and in hand | | 187,694 | 400,529 |
| | | <u>453,845</u> | <u>578,873</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 10 | <u>936,195</u> | <u>2,364,695</u> |
| NET CURRENT LIABILITIES | | <u>(482,350)</u> | <u>(1,785,822)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>5,579,742</u> | <u>3,245,645</u> |
| CREDITORS | | | |
| Amounts falling due after more than one year | 11 | <u>8,371,249</u> | <u>5,266,201</u> |
| NET LIABILITIES | | <u>(2,791,507)</u> | <u>(2,020,556)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 15 | 2 | 2 |
| Retained earnings | 16 | <u>(2,791,509)</u> | <u>(2,020,558)</u> |
| SHAREHOLDERS' FUNDS | | <u>(2,791,507)</u> | <u>(2,020,556)</u> |

The financial statements were approved by the Board of Directors and authorised for issue on 29 January 2024 and were signed on its behalf by:



Colin Methven Smart - Director

The notes form part of these financial statements

SMART DREAM HOTELS LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2023

| | Called up share capital £ | Retained earnings £ | Total equity £ |
|-------------------------------|------------------------------------|---------------------------|----------------------|
| Balance at 1 June 2021 | 2 | (1,230,799) | (1,230,797) |
| Changes in equity | | | |
| Total comprehensive income | - | (789,759) | (789,759) |
| Balance at 31 May 2022 | 2 | (2,020,558) | (2,020,556) |
| Changes in equity | | | |
| Total comprehensive income | - | (770,951) | (770,951) |
| Balance at 31 May 2023 | 2 | (2,791,509) | (2,791,507) |

The notes form part of these financial statements

SMART DREAM HOTELS LTD

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MAY 2023**

| | Notes | 2023 £ | 2022 £ |
|---|-------|-----------------------|-----------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 1 | (584,360) | (59,599) |
| Interest paid | | (170,210) | (58,839) |
| Net cash from operating activities | | <u>(754,570)</u> | <u>(118,438)</u> |
| Cash flows from investing activities | | | |
| Purchase of tangible fixed assets | | (1,438,807) | (1,484,095) |
| Sale of tangible fixed assets | | 29,951 | - |
| Net cash from investing activities | | <u>(1,408,856)</u> | <u>(1,484,095)</u> |
| Cash flows from financing activities | | | |
| New loans in year | | - | 1,375,000 |
| Loan repayments in year | | (171,915) | (90,000) |
| Amount introduced by directors | | 2,122,506 | 631,462 |
| Net cash from financing activities | | <u>1,950,591</u> | <u>1,916,462</u> |
| (Decrease)/increase in cash and cash equivalents | | <u>(212,835)</u> | <u>313,929</u> |
| Cash and cash equivalents at beginning of year | 2 | 400,529 | 86,600 |
| Cash and cash equivalents at end of year | 2 | <u><u>187,694</u></u> | <u><u>400,529</u></u> |

The notes form part of these financial statements

SMART DREAM HOTELS LTD

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MAY 2023**

1. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

| | 2023 | 2022 |
|--|-------------------------|------------------------|
| | £ | £ |
| Loss before taxation | (770,951) | (789,759) |
| Depreciation charges | 378,231 | 406,404 |
| Finance costs | 170,210 | 58,839 |
| | <u>(222,510)</u> | <u>(324,516)</u> |
| Increase in stocks | (3,221) | (7,656) |
| Increase in trade and other debtors | (84,587) | (124,856) |
| (Decrease)/increase in trade and other creditors | <u>(274,042)</u> | <u>397,429</u> |
| Cash generated from operations | <u><u>(584,360)</u></u> | <u><u>(59,599)</u></u> |

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 May 2023

| | 31/5/23 | 1/6/22 |
|---------------------------|----------------|----------------|
| | £ | £ |
| Cash and cash equivalents | <u>187,694</u> | <u>400,529</u> |

Year ended 31 May 2022

| | 31/5/22 | 1/6/21 |
|---------------------------|----------------|---------------|
| | £ | £ |
| Cash and cash equivalents | <u>400,529</u> | <u>86,600</u> |

3. ANALYSIS OF CHANGES IN NET DEBT

| | At 1/6/22 | Cash flow | At 31/5/23 |
|---------------------------------|---------------------------|------------------------|---------------------------|
| | £ | £ | £ |
| Net cash | | | |
| Cash at bank and in hand | 400,529 | (212,835) | 187,694 |
| | <u>400,529</u> | <u>(212,835)</u> | <u>187,694</u> |
| Debt | | | |
| Debts falling due within 1 year | (1,539,153) | 1,154,458 | (384,695) |
| Debts falling due after 1 year | <u>(1,300,847)</u> | <u>(982,542)</u> | <u>(2,283,389)</u> |
| | <u>(2,840,000)</u> | <u>171,916</u> | <u>(2,668,084)</u> |
| Total | <u><u>(2,439,471)</u></u> | <u><u>(40,919)</u></u> | <u><u>(2,480,390)</u></u> |

The notes form part of these financial statements

SMART DREAM HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2023

1. STATUTORY INFORMATION

Smart Dream Hotels Ltd is a private company, limited by shares, registered in Scotland. The company's registration number is SC604838 and registered office address is Dean Park Hotel, Chapel Level, Kirkcaldy, Fife, KY2 6HF.

The nature of the company's operations and its principal activity was that of hotel operators.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors who are also the majority shareholders can confirm that they will not require repayment of the loan amount that is due to them for at least twelve months from the date of approval of these financial statements.

Thus the directors consider to adopt the going concern basis of accounting in preparing the financial statements.

Critical accounting judgements and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Assets are considered for indications of impairment. If required an impairment review will be carried out and a decision made on possible impairment. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Bad debts are provided for where objective evidence of the need for a provision exists.

Inventories are assessed for evidence of obsolescence and a provision is made against any inventory unlikely to be sold, or where stock is sold post year end at a loss.

Turnover

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. Consideration is given to the point at which the Company is entitled to receive the income, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Revenue from the provision of services is recognised in the period in which the services are provided when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due;
- the costs incurred can be measured reliably.

SMART DREAM HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2023

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

| | |
|--------------------------|---------------------------|
| Freehold property | - 2% on cost |
| Improvements to property | - 10% on cost |
| Fixtures and fittings | - 25% on reducing balance |
| Motor vehicles | - 25% on reducing balance |
| Computer equipment | - 25% on reducing balance |

Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of assets received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

Stocks

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

Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument. Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transactions costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

SMART DREAM HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2023

2. ACCOUNTING POLICIES - continued

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

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

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

Deferred tax assets and deferred tax liabilities are offset only if the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

SMART DREAM HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2023

2. ACCOUNTING POLICIES - continued

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal.

An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

3. EMPLOYEES AND DIRECTORS

| | 2023 | 2022 |
|-----------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | 1,296,688 | 1,206,751 |
| Social security costs | 90,375 | 73,311 |
| Other pension costs | 20,977 | 17,548 |
| | <u>1,408,040</u> | <u>1,297,610</u> |

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

| | 2023 | 2022 |
|----------------|-----------|-----------|
| Hotel | 92 | 85 |
| Administration | 3 | - |
| | <u>95</u> | <u>85</u> |

| | 2023 | 2022 |
|-------------------------|----------|----------|
| | £ | £ |
| Directors' remuneration | - | - |
| | <u>-</u> | <u>-</u> |

SMART DREAM HOTELS LTD

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2023**

4. INTEREST PAYABLE AND SIMILAR EXPENSES

| | 2023 | 2022 |
|--------------------|----------------|---------------|
| | £ | £ |
| Bank loan interest | 170,210 | 58,839 |
| | <u>170,210</u> | <u>58,839</u> |

5. LOSS BEFORE TAXATION

The loss is stated after charging:

| | 2023 | 2022 |
|---|----------------|----------------|
| | £ | £ |
| Depreciation - owned assets | 378,231 | 406,404 |
| Auditors' remuneration | 11,533 | 16,000 |
| Auditors' remuneration for non audit work | - | 4,830 |
| | <u>389,764</u> | <u>427,234</u> |

6. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose for the year ended 31 May 2023 nor for the year ended 31 May 2022.

7. TANGIBLE FIXED ASSETS

| | Freehold property £ | Improvements to property £ | Fixtures and fittings £ |
|------------------------|---------------------------|-------------------------------------|----------------------------------|
| COST | | | |
| At 1 June 2022 | 1,689,674 | 3,537,996 | 514,589 |
| Additions | - | 1,229,836 | 167,202 |
| Disposals | - | - | - |
| | <u>1,689,674</u> | <u>4,767,832</u> | <u>681,791</u> |
| At 31 May 2023 | 1,689,674 | 4,767,832 | 681,791 |
| DEPRECIATION | | | |
| At 1 June 2022 | 92,932 | 530,469 | 154,808 |
| Charge for year | 33,793 | 227,650 | 101,761 |
| Eliminated on disposal | - | - | - |
| | <u>126,725</u> | <u>758,119</u> | <u>256,569</u> |
| At 31 May 2023 | 126,725 | 758,119 | 256,569 |
| NET BOOK VALUE | | | |
| At 31 May 2023 | <u>1,562,949</u> | <u>4,009,713</u> | <u>425,222</u> |
| At 31 May 2022 | <u>1,596,742</u> | <u>3,007,527</u> | <u>359,781</u> |

SMART DREAM HOTELS LTD

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2023**

7. TANGIBLE FIXED ASSETS - continued

| | Motor vehicles £ | Computer equipment £ | Totals £ |
|------------------------|------------------------|----------------------------|-------------|
| COST | | | |
| At 1 June 2022 | 66,085 | 37,788 | 5,846,132 |
| Additions | - | 41,769 | 1,438,807 |
| Disposals | (47,850) | - | (47,850) |
| | <hr/> | <hr/> | <hr/> |
| At 31 May 2023 | 18,235 | 79,557 | 7,237,089 |
| | <hr/> | <hr/> | <hr/> |
| DEPRECIATION | | | |
| At 1 June 2022 | 23,331 | 13,125 | 814,665 |
| Charge for year | 6,303 | 8,724 | 378,231 |
| Eliminated on disposal | (17,899) | - | (17,899) |
| | <hr/> | <hr/> | <hr/> |
| At 31 May 2023 | 11,735 | 21,849 | 1,174,997 |
| | <hr/> | <hr/> | <hr/> |
| NET BOOK VALUE | | | |
| At 31 May 2023 | 6,500 | 57,708 | 6,062,092 |
| | <hr/> | <hr/> | <hr/> |
| At 31 May 2022 | 42,754 | 24,663 | 5,031,467 |
| | <hr/> | <hr/> | <hr/> |

8. STOCKS

| | 2023 £ | 2022 £ |
|--------|-----------|-----------|
| Stocks | 40,931 | 37,710 |
| | <hr/> | <hr/> |

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2023 £ | 2022 £ |
|---|-----------|-----------|
| Amounts owed by participating interests | 129,292 | 12,359 |
| Value added tax | 16,239 | 43,111 |
| Prepayments and accrued income | 79,689 | 85,164 |
| | <hr/> | <hr/> |
| | 225,220 | 140,634 |
| | <hr/> | <hr/> |

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2023 £ | 2022 £ |
|---|-----------|-----------|
| Bank loans and overdrafts (see note 12) | 384,695 | 1,539,153 |
| Trade creditors | 211,486 | 225,155 |
| Amounts owed to participating interests | 46,613 | 237,540 |
| Social security and other taxes | 27,341 | 23,723 |
| Other creditors | 197,850 | 262,602 |
| Accruals and deferred income | 68,210 | 76,522 |
| | <hr/> | <hr/> |
| | 936,195 | 2,364,695 |
| | <hr/> | <hr/> |

SMART DREAM HOTELS LTD

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2023**

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

| | 2023 | 2022 |
|--------------------------|------------------|------------------|
| | £ | £ |
| Bank loans (see note 12) | 2,283,389 | 1,300,847 |
| Director's loan account | 6,087,860 | 3,965,354 |
| | <u>8,371,249</u> | <u>5,266,201</u> |

12. LOANS

An analysis of the maturity of loans is given below:

| | 2023 | 2022 |
|---|------------------|------------------|
| | £ | £ |
| Amounts falling due within one year or on demand: | | |
| Bank loans | <u>384,695</u> | <u>1,539,153</u> |
| Amounts falling due between one and two years: | | |
| Bank loans - 1-2 years | <u>384,695</u> | <u>279,661</u> |
| Amounts falling due between two and five years: | | |
| Bank loans - 2-5 years | <u>1,072,694</u> | <u>838,983</u> |
| Amounts falling due in more than five years: | | |
| Repayable by instalments | | |
| Bank loans more 5 yr by instal | <u>826,000</u> | <u>182,203</u> |

13. SECURED DEBTS

The following secured debts are included within creditors:

| | 2023 | 2022 |
|------------|------------------|------------------|
| | £ | £ |
| Bank loans | <u>2,668,084</u> | <u>2,840,000</u> |

The refinance loan from HSBC Bank plc is repayable in monthly instalments. The loan incurs interest of 2.5% over the Bank of England base rate as published from time to time and is due for repayment in May 2036.

The first recovery loan from HSBC Bank plc is repayable in monthly instalments. The loan incurs interest of 3.99% over the Bank of England base rate as published from time to time and is due for repayment in December 2027.

The second recovery loan from HSBC Bank plc is repayable in monthly instalments. The loan incurs interest of 4.65% over the Bank of England base rate as published from time to time and is due for repayment in April 2028.

For both loans HSBC Bank plc holds a standard security over the company's property and a floating charge over the whole assets of the company.

SMART DREAM HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2023

14. FINANCIAL INSTRUMENTS

The carrying amount for each category of financial instrument is as follows:

| | 2023 £ | 2022 £ |
|---|-----------|-----------|
| Financial assets | | |
| Financial assets that are debt instruments measured at amortised cost | 412,914 | 541,163 |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | 9,307,444 | 7,630,896 |

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 2023 £ | 2022 £ |
|---------|----------|-------------------|-----------|-----------|
| 2 | Ordinary | £1 | 2 | 2 |

16. RESERVES

| | Retained earnings £ |
|----------------------|---------------------------|
| At 1 June 2022 | (2,020,558) |
| Deficit for the year | (770,951) |
| At 31 May 2023 | (2,791,509) |

Retained earnings

Includes all current and prior year retained profits and losses less dividends.

17. PENSION COMMITMENTS

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £20,977 (2022 - £17,548).

Included in accruals at the year end is £5,084 (2022 - £4,018) due to the pension scheme.

18. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

At the balance sheet date there was a balance due to a director amounting to £6,087,860 (2022 - £3,965,354).

19. RELATED PARTY DISCLOSURES

Included within debtors is an amount due from Grande Dreams Limited amounting to £129,292 (2022 - £12,359).

Included within creditors is an amount due to Grande Construction Limited amounting to £46,613 (2022 - £237,540).

The companies are controlled by the directors of Smart Dream Hotels Ltd.

20. POST BALANCE SHEET EVENTS

On the 29 September 2023 the company issued 6,000,000 ordinary £1 shares.

SMART DREAM HOTELS LTD

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2023**

21. ULTIMATE CONTROLLING PARTY

At the balance sheet date, the ultimate controlling party is Mr & Mrs Smart by virtue of their individual shareholdings.

Following the year end on 2 October 2023 Mr Smart transferred 3,000,001 shares to Mrs Smart, at which point she became the ultimate controlling party.