

Gleneagles Hotels Limited

Annual Report

30 June 2016

Registered number: SC097000



Contents

Strategic Report	1
Directors' report	2
Statement of directors' responsibilities in respect of the annual report and the financial statements	4
Independent auditor's report to the members of Gleneagles Hotels Limited	5
Profit and Loss Account and Other Comprehensive Income	6
Balance Sheet	7
Statement of Changes in Equity	8
Notes	9

Strategic Report

The directors have pleasure in submitting their strategic report, directors' report and the audited financial statements for the year ended 30 June 2016.

Activities

The company was principally engaged during the year in operating The Gleneagles Hotel, Auchterarder, Perthshire.

Going concern

The factors likely to affect the company's future performance and financial position are set out in this strategic report. The directors have prepared cash flow forecasts for the company for the period of at least twelve months from the date of signing these accounts and have obtained a letter of support from its immediate parent company, GH Holdings 2 Limited, for a period of at least twelve months from the date of signing these accounts. These show that the company can operate within their available funds for a period of at least one year. Accordingly, the directors continue to adopt the going concern basis in preparing the company's financial statements.

Business Review

Development and performance of the business of the company during the financial year and position of the company as at 30 June 2016

The development and performance of the business during the year was in line with expectations.

Principal risks and uncertainties facing the company as at 30 June 2016

The directors consider the main risk facing the company's future trading is the potential occurrence of shocks to the European and American economies that could lead to reduced occupancy from corporate and leisure clients.

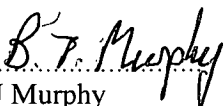
Financial and other key performance indicators

The measurements used to assess progress against revenue objectives are Revenue per Available Room (RevPAR), a function of occupancy and average rate. In 2016 RevPAR showed positive growth over the prior year.

Financial

The results for the year ended 30 June 2016 are shown on page 6

By order of the board



B J Murphy
Director
The Gleneagles Hotel
Auchterarder, Perthshire
PH3 1NF

Date: 26 April 2017

Directors' report

Directors

The directors who held office during the year and to the date of this report were as follows:

D A Kemp
B J Murphy
S Pasricha
C H Oakshett

Dividends

Dividends of £9,250,000 were paid during the year (2015 - £177,414,000).

Employee involvement

The company's goal is to offer an energising work environment, personal growth and recognition and attractive rewards for the performance of its people and the contribution they make to the company. Its employee policies are designed to support these goals and to do so in a manner that is fair and equitable to all employees. These policies take account of external legislation, internal codes of conduct, as well as the company's values as an organisation.

The company is a multi-cultural community operating in an increasingly diverse business world and is committed to active equality and diversity practices. The company offers people with disability the same opportunities for employment, training and career progression as other employees. Employees who become disabled and unable to continue in their existing jobs are given the opportunity to be retrained for suitable alternative employment. It is also committed to attracting and retaining talented people. The company invests in the growth and development of its people, which contributes directly to the performance and results of the business. Where practical, the company encourages flexible ways of working to enable employees to take some control over the balance between work and home life. The company's reward systems recognise the contribution employees make to the success and reflect the value of the role they are performing.

The company is committed to the safety and wellbeing of employees at work. The company is committed to open and continuous dialogue with its employees as a way to inform and engage them in the company's strategy and business goals as well as harnessing the ideas employees will have on improving broad areas of business performance.

Each senior manager is responsible for delivering against these communication and employee engagement goals. The company has an intranet web site from which employees with access to a computer can obtain timely and accurate news and information.

The company believes that its employee relations are satisfactory.

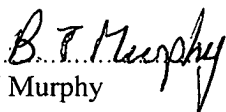
Directors' report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor KPMG LLP is willing to continue in office and will be deemed to be re-appointed on the expiry of its term in office in respect of the year ended 30 June 2016.

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

By order of the board


.....
B J Murphy
Director

The Gleneagles Hotel
Auchterarder
Perthshire
PH3 1NF

Date: *26 April 2017*

Statement of directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of Gleneagles Hotels Limited

We have audited the financial statements of Gleneagles Hotels Limited for the year ended 30 June 2016 set out on pages 6 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report is consistent with the financial statements.

Matters on which we are required to report by exception

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.

Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Saltire Court, 20 Castle Terrace Edinburgh, EH1 2EG

Date

28 April 2017

Profit and Loss Account and Other Comprehensive Income
for the year ended 30 June 2016

	<i>Note</i>	2016 £000	2015 £000
Turnover	2	46,722	46,553
Operating costs	3	(42,876)	(42,667)
Operating profit		3,846	3,886
(Loss)/gain on disposal of fixed assets		(174)	30
Interest receivable and similar income	6	17	79
Profit on ordinary activities before taxation		3,689	3,995
Tax on profit on ordinary activities	7	(1,220)	(726)
Profit for the financial year		2,469	3,269

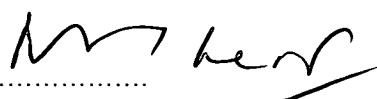
All results arise from continuing operations.

The company has no other comprehensive income other than the profit for the period as set out above.

Balance Sheet
at 30 June 2016

	Note	£000	30 June 2016 £000	£000	30 June 2015 £000
Fixed assets					
Tangible assets	8		83,412		79,707
Current assets					
Stocks	10	2,142		2,955	
Debtors	11	5,322		2,664	
Cash at bank and in hand		1,463		14,530	
			<u>8,927</u>	<u>20,149</u>	
Creditors: amounts falling due within one year	12	<u>(16,680)</u>		<u>(17,416)</u>	
Net current (liabilities)/assets			<u>(7,753)</u>		<u>2,733</u>
Net assets			<u>75,659</u>		<u>82,440</u>
Capital and reserves					
Called up share capital	15		35,709		35,709
Revaluation reserve	15		11,616		11,616
Profit and loss account			28,334		35,115
Shareholders' funds			<u>75,659</u>		<u>82,440</u>

These financial statements were approved by the board of directors on 19 April 2017 and were signed on its behalf by:



.....
D A Kemp
Director

Company registered number: SC097000

Statement of Changes in Equity

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance at 1 July 2014	235,709	11,616	9,260	256,585
Total comprehensive income for the period	-	-	3,269	3,269
Reduction in share capital	(200,000)	-	200,000	-
Dividends paid	-	-	(177,414)	(177,414)
Total distributions to owners	(200,000)	-	22,586	(177,414)
Balance at 30 June 2015	35,709	11,616	35,115	82,440
Total comprehensive income for the period	-	-	2,469	2,469
Dividends paid	-	-	(9,250)	(9,250)
Total distributions to owners	-	-	(9,250)	(9,250)
Balance at 30 June 2016	35,709	11,616	28,334	75,659

Notes

(forming part of the financial statements)

1 Accounting policies

Gleneagles Hotels Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

An explanation of how the transition to FRS 102 has affected the financial position and financial performance of the Company is provided in note 21.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Fair value or revaluation as deemed cost – The previous GAAP revaluation at transition date has been used as deemed cost for specific tangible fixed assets.

The Company’s ultimate UK parent undertaking, GH Holdings 1 Limited includes the Company in its consolidated financial statements. The consolidated financial statements of GH Holdings 1 Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of GH Holdings 1 Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year are discussed in note 19.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

Notes (continued)**1 Accounting policies (continued)****1.2 Going concern**

The directors have prepared cash flow forecasts for the company for the period of at least twelve months from the date of signing these accounts and have obtained a letter of support from its immediate parent company, GH Holdings 2 Limited, for a period of at least twelve months from the date of signing these accounts. These show that the company can operate within their available funds for a period of at least one year. Accordingly, the directors continue to adopt the going concern basis in preparing the company's financial statements.

1.3 Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged forward, at the rate of exchange under the related foreign currency contract. Assets and liabilities in foreign currencies are translated into sterling at the financial year end exchange rates or, if hedged forward, at the rate of exchange under the related foreign currency contract.

All exchange gains and losses are taken to the profit and loss account.

1.4 Basic financial instruments*Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

1.5 Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Depreciation is charged when an asset is brought in to use. Land is not depreciated. Estimated useful lives are as follows:

Building - core	100 years
Building - surfaces	25 years
Equestrian Centre	36 years
Plant and machinery	4 to 12 years
Fixtures and fittings	4 to 7 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern in which the company expects to consume an asset's future economic benefits.

Notes (continued)

1 Accounting policies (continued)

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value.

1.8 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.9 Turnover

Revenue is recognised when the significant risks and rewards of the goods and services provided are transferred to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

Revenue represents the total invoice value, excluding value added tax, of sales made during the year.

Revenue for the Company comprises the following streams:

- Sale of goods - revenue from retail sales and the sale of food and beverages is recognised at the point of sale.
- Rendering of services - revenue from room sales and other guest services is recognised when rooms are occupied and as services are provided.

1.10 Expenses

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

Interest receivable and Interest payable

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes *(continued)***1 Accounting policies** *(continued)***1.11 Pensions****Defined contribution pension plan**

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

Contributions are recognised as an expense in the income statement when they fall due. Amounts not paid are shown in other creditors as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

Defined benefit plan

The Company's employees were members of a group wide defined benefit pension plan when part of the Diageo plc group. As there was no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan and the net defined benefit liability are recognised fully by the Company which is legally responsible for the plan, which was Diageo plc. The Company then recognised a cost equal to its contribution payable for the period. The Company has no liability in relation to the defined benefit pension scheme.

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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

Notes (continued)**2 Turnover**

The turnover and profit on ordinary activities before taxation are attributable to one class of business, that of hotels, all of which is carried out in the United Kingdom.

3 Expenses and auditor's remuneration

Included in profit/ are the following:

	2016 £000	2015 £000
Raw materials and consumables	7,566	8,138
Advertising, marketing and promotion costs	2,154	2,460
Other external charges (a)	378	334
Staff costs (note 4)	16,910	17,440
Depreciation and other amounts written off fixed assets	3,490	3,506
Other operating charges	12,378	10,789
	<u>42,876</u>	<u>42,667</u>

(a) Other external charges include: operating lease rentals for plant and machinery of £270,000 (2015 - £263,000) other lease rentals of £43,000 (2015 - £43,000); loss in respect of foreign exchange £8,000 (2015 - £8,000).

	2016 £000	2015 £000
Auditor's remuneration:		
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements	13,000	18,586
Taxation compliance services	9,600	-
Other tax advisory services	10,000	-

Notes (continued)**4 Staff numbers and costs**

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

	Number of employees	
	2016	2015
Full time	669	634
Part time	234	249
	<u>903</u>	<u>883</u>

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	14,966	14,457
Social security costs	1,075	1,055
Contributions to defined contribution plans	869	-
Contributions to defined benefit plans	-	1,928
	<u>16,910</u>	<u>17,440</u>

5 Directors' remuneration

	2016	2015
	£000	£000
Directors' remuneration	573	779
Company contributions to money purchase pension plans	26	31
	<u>599</u>	<u>810</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £321,000 (2015: £265,000), and company pension contributions of £11,000 (2015: £11,000) were made to a money purchase scheme on his behalf.

	Number of directors	
	2016	2015
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	-
Defined benefit schemes	-	2
	<u>2</u>	<u>2</u>

Notes (continued)**6 Interest receivable and similar income**

	2016	2015
	£000	£000
Other interest receivable	17	79
	<hr/>	<hr/>
Total interest receivable and similar income	17	79
	<hr/> <hr/>	<hr/> <hr/>

7 Taxation**Total tax expense recognised in the profit and loss account**

	2016	2015
	£000	£000
<i>Current tax</i>		
Current tax on income for the period	669	-
	<hr/>	<hr/>
Total current tax	669	-
<i>Deferred tax (see note 13)</i>		
Origination and reversal of timing differences	431	221
Effect of changes in tax rates	120	(7)
Adjustments in respect of prior periods	-	512
	<hr/>	<hr/>
Total deferred tax	551	726
	<hr/>	<hr/>
Total tax	1,220	726
	<hr/> <hr/>	<hr/> <hr/>

All tax recognised above relates to UK corporation tax.

Notes *(continued)***7 Taxation** *(continued)***Reconciliation of effective tax rate**

	2016	2015
	£000	£000
Profit for the year	2,469	3,269
Total tax expense	1,220	726
	<hr/>	<hr/>
Profit excluding taxation	3,689	3,995
Tax using the UK corporation tax rate of 20 % (2015: 20.75%)	(738)	(829)
Accelerated capital allowances and other timing differences	29	7
Reduction in tax rate on deferred tax balances	(120)	(7)
Non-deductible expenses	(418)	(488)
Group relief received for nil consideration	-	1,103
Additional allowances available under Land Remediation Relief	27	-
Adjustments in respect of prior periods	-	(512)
	<hr/>	<hr/>
Total tax expense included in profit or loss	(1,220)	(726)
	<hr/> <hr/>	<hr/> <hr/>

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax balance at 30 June 2016 has been calculated based on these rates. An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly and reduce the deferred tax balance.

Notes (continued)**8 Tangible fixed assets**

	Freehold land and buildings £000	Plant and machinery £000	Fixtures & fittings £000	Under construction £000	Total £000
Cost					
Balance at 1 July 2015	92,396	5,626	33,249	122	131,393
Additions	3,598	-	2,825	977	7,400
Transfers	48	-	210	(258)	-
Disposals	(268)	-	(190)	-	(458)
Balance at 30 June 2016	95,774	5,626	36,094	841	138,335
Depreciation and impairment					
Balance at 1 July 2015	17,628	5,449	28,609	-	51,686
Depreciation charge for the year	2,211	58	1,221	-	3,490
Disposals	(94)	-	(159)	-	(253)
Balance at 30 June 2016	19,745	5,507	29,671	-	54,923
Net book value					
At 1 July 2015	74,768	177	4,640	122	79,707
At 30 June 2016	76,029	119	6,423	841	83,412

Included within the net book value of Freehold land and buildings is £9,496,000 (2015 : £9,496,000) in respect of land on which no depreciation is charged.

9 Fixed asset investments

	Subsidiary undertaking £000
Cost	
At beginning and end of the year	-

The Company has the following investments in subsidiaries :

	Aggregate of capital and reserves £000	Profit or loss for the year £000	Country of incorporation	Class of shares held	Ownership 2016 %	Ownership 2015 %
Gleneagles Resort Developments Limited	2,516	236	Scotland	Ordinary	100	100
GH Easterton Farm Limited	(23)	(23)	Scotland	Ordinary	100	-

Subsequent to the reporting date the ownership of the above companies was transferred to GH Holdings 2 Limited, as described in note 20.

Notes (continued)**10 Stocks**

	2016 £000	2015 £000
Raw materials and consumables	233	322
Finished goods	1,909	1,793
Property stock	-	840
	<u>2,142</u>	<u>2,955</u>

Raw materials and consumables and finished goods recognised as cost of sales in the year amounted to £7,566,000 (2015: £8,138,000).

11 Debtors

	2016 £000	2015 £000
Trade debtors	1,103	1,365
VAT recoverable	597	-
Amounts owed by fellow group undertakings	2,675	41
Other prepayments and accrued income	386	146
Deferred taxation (note 13)	561	1,112
	<u>5,322</u>	<u>2,664</u>

All amounts fall due within one year.

12 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	2,988	2,935
Amounts owed to fellow group undertakings	2,146	1,935
Amounts owed to former group undertakings	-	1,674
Other taxation including social security	384	537
Corporation tax payable	209	-
Other creditors	-	3
Accruals and deferred income	10,953	10,332
	<u>16,680</u>	<u>17,416</u>

Notes (continued)**13 Deferred tax asset**

Deferred tax assets are attributable to the following:

	2016 £000	2015 £000
Accelerated capital allowances	481	993
Other	80	119
	<hr/>	<hr/>
Deferred tax asset	561	1,112
	<hr/> <hr/>	<hr/> <hr/>

14 Employee benefits**Defined contribution plans**

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £869,000 (2015 – Nil). Outstanding contributions at year end totalled £54,000 (2015: nil).

Defined benefit pension scheme

The company participated in the Diageo Group Pension Plan operated by Diageo plc covering the pension arrangements of eligible employees until the company was disposed of. The assets of the scheme were held in separate trustee administered funds.

It has not been possible to readily determine, on a consistent and reasonable basis, the assets and liabilities attributable to the company. As permitted by FRS 102 the scheme was accounted for, in these financial statements, as if the scheme was a defined contribution scheme.

The charge in relation to the defined benefits schemes in the prior year financial statements was £1,928,000.

As at 30 June 2016 the details of the pension scheme were included within the financial statements of the parent entity at that time, Diageo Plc.

15 Capital and reserves**Share capital**

	2016 £000	2015 £000
<i>Allotted, called up and fully paid</i>		
35,709,000 ordinary shares of £1 each	35,709	35,709
	<hr/>	<hr/>
	35,709	35,709
	<hr/> <hr/>	<hr/> <hr/>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Revaluation reserve

The revaluation reserve represents the excess of fair value of land and buildings above book value.

Dividends

During the year total dividends of £9,250,000, equivalent to 25.9 p per qualifying ordinary share (2015: £177,414,000; £4.97 per share), were proposed by the directors and paid.

Notes (continued)**16 Operating leases**

Non-cancellable operating lease rentals are payable as follows:

	2016	2015
	£000	£000
Less than one year	156	118
Between one and five years	137	361
More than five years	54	-
	<u>347</u>	<u>479</u>

During the year 2016 £270,000 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £263,000).

17 Related parties

The company is related to Ennismore International Management Limited (Ennismore) by virtue of the fact that Ennismore is controlled by a director of the company. During the year, Ennismore charged the company £1,169,842 in respect of management and other services. At 30 June 2016, the company owed £347,140 to Ennismore in respect of these transactions.

The company is related to Glenmor Owners Club (Glenmor) by virtue of the fact that directors of the company are committee members with significant influence over its operations. During the year the company recharged operation costs of £1,556,657 (2015 - £1,564,561).

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 102 Section 33 'Related Party Disclosures' paragraph 33.1A not to disclose transactions with certain group companies on the grounds that 100% of the voting rights in these companies were controlled by the group during the year.

18 Ultimate parent company and parent company of larger group

The Company is a subsidiary of GH Holdings 2 Limited. The ultimate parent company is Bharti Overseas Private Limited. In the opinion of the directors there is no single ultimate controlling party.

Financial results of the company are consolidated at GH Holdings 1 Limited, Scotland which is the parent company of GH Holdings 2 Limited.

Notes (continued)

19 Accounting estimates and judgements

Key sources of estimation uncertainty

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

- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken in to 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.
- Tangible fixed assets are depreciated over their useful lives taking in to 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 in to account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Determine whether leases entered in to by the Company are operating or finance leases. These decisions depend on assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- The recoverability and value of inventories are regularly reviewed and provision is made where appropriate.
- The recoverability of trade and other receivables are regularly reviewed and provision is made where appropriate.

20 Events after the reporting date

On 20 February 2017 the company transferred ownership of the entire share capital of GH Easterton Farm Limited and Gleneagles Resort Developments Limited to GH Holdings 2 Limited at book value.

On 20 February 2017 the company capitalised the revaluation reserve of £11,615,676 in purchase of a bonus issue of shares at £1 each. The company subsequently reduced its share capital to £5,000,000.

On 21 February 2017 the company arranged £66,800,000 of loan financing, secured by a floating charge over the assets of the company.

On 22 February 2017 the company declared and paid a dividend of £63,000,000.

Notes (continued)**21 Explanation of transition to FRS 102 from old UK GAAP**

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented in these financial statements for the year ended 30 June 2015.

In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting UK GAAP. An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following tables.

Reconciliation of equity

		1 July 2014			30 June 2015		
			Effect of		Effect of		
	Note	UK GAAP	transition	FRS 102	UK GAAP	transition	
		£000	to FRS 102	£000	£000	to FRS	
			£000		102	FRS 102	
					£000	£000	
Fixed assets							
Tangible fixed assets		80,632	-	80,632	79,707	-	
		<u>80,632</u>	<u>-</u>	<u>80,632</u>	<u>79,707</u>	<u>-</u>	
Current assets							
Stocks		3,160	-	3,160	2,955	-	
Debtors (due with one year)		186,640	-	186,640	2,664	-	
Cash at bank and in hand		1,997	-	1,997	14,530	-	
		<u>191,797</u>	<u>-</u>	<u>191,797</u>	<u>20,149</u>	<u>-</u>	
Creditors: amounts due within one year		<u>(15,844)</u>	<u>-</u>	<u>(15,844)</u>	<u>(17,416)</u>	<u>-</u>	
Net current assets		<u>175,953</u>	<u>-</u>	<u>175,953</u>	<u>2,733</u>	<u>-</u>	
Net assets		<u>256,585</u>	<u>-</u>	<u>256,585</u>	<u>82,440</u>	<u>-</u>	
Capital and reserves							
Called up share capital		235,709	-	235,709	35,709	-	
Revaluation reserve	a	11,616	-	11,616	11,525	91	
Profit and loss account	a	9,260	-	9,260	35,206	(91)	
		<u>256,585</u>	<u>-</u>	<u>256,585</u>	<u>82,440</u>	<u>-</u>	
Shareholders' equity		<u>256,585</u>	<u>-</u>	<u>256,585</u>	<u>82,440</u>	<u>-</u>	

Notes to the reconciliation of equity

- a) The Company has adopted the 1992 valuation of Land & Buildings held as the deemed cost on transition to FRS 102 in accordance with the exemption as detailed in note 1.

There were no reconciling items in the profit and loss account on transition to FRS 102.