

REGISTERED NUMBER: 03309179 (England and Wales)

**COTSWOLD INNS & HOTELS LIMITED**

**Strategic Report,**

**Report of the Directors and**

**Audited Financial Statements**

**for the Year Ended 30 September 2018**



Phoenix Business Associates Limited  
Chartered Certified Accountants  
Statutory Auditors  
The Riding School House  
Bulls Lane  
Wishaw  
Sutton Coldfield  
West Midlands  
B76 9QW

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for the year ended 30 September 2018**

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**COTSWOLD INNS & HOTELS LIMITED**

**Company Information**  
**for the year ended 30 September 2018**

**DIRECTORS:** Mr M T Horton  
Mrs P J Horton  
Mrs J P Barlow  
Mr P Davis  
Mrs N A Linington  
Mr G J Cleaver

**SECRETARY:** Mrs J P Barlow

**REGISTERED OFFICE:** Orchard House  
Crab Apple Way  
Vale Business Park  
Evesham  
Worcestershire  
WR11 1GE

**REGISTERED NUMBER:** 03309179 (England and Wales)

**AUDITORS:** Phoenix Business Associates Limited  
Chartered Certified Accountants  
Statutory Auditors  
The Riding School House  
Bulls Lane  
Wishaw  
Sutton Coldfield  
West Midlands  
B76 9QW

**Strategic Report**  
**for the year ended 30 September 2018**

The board of directors are pleased to provide their strategic report for the year ended 30th September 2018.

**REVIEW OF BUSINESS**

The board of directors are pleased with the results for the year; sales continue to grow and the forecast is encouraging with occupancy increasing generally within the hotel industry but it remains a difficult trading environment as cost and wage increases put margins under pressure.

The group continue to upgrade and integrate all of our I.T. systems with the front office systems also being renewed during the year to the benefit of both our staff and our customers.

Michael & Pamela Horton continue to invest profits back into the group and Pamela Horton continues to refresh and upgrade the bedroom stock throughout the group; behind the scenes we have replaced the kitchen at, 'The Close Hotel' giving both chef and his team a great environment to work in whilst ensuring the highest standards are being adhered to.

Cotswold Inns & Hotels retain a portfolio of beautiful hotels which we continue to improve and look after for generations to come whilst striving to consistently attain the highest possible standards in order to give our customers the best possible experience during their stay with us.

**PRINCIPAL RISKS AND UNCERTAINTIES**

In common with many businesses of a similar size in the hotel industry, we as a company, are acutely aware that both UK and global economic uncertainty has a direct impact on the attitudes to spending of the general public and in particular where this comes to leisure and recreational activities.

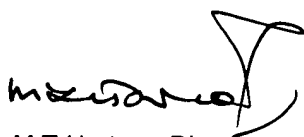
As a Company we pride ourselves on offering excellent food and accommodation within the Cotswolds area at, what we believe to be, competitive rates for the products offered.

We recognise that, having been through a period of political uncertainty and following the results of the Brexit referendum in the UK this will continue to bring its challenges for the foreseeable future. Cotswold Inns & Hotels remain optimistic whilst recognising that global economic factors will always present an inherent risk and uncertainty.

**PLANNING FOR 2019**

Michael & Pamela Horton and the board look forward to an exciting future for Cotswold Inns & Hotels and remain fully focused and committed to the continual investment and development of the eight beautiful hotels within our collection.

**ON BEHALF OF THE BOARD:**



Mr M T Horton - Director

7 March 2019

**Report of the Directors**  
**for the year ended 30 September 2018**

The directors present their report with the financial statements of the company for the year ended 30 September 2018.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of the ownership and management of hotels and bars. The company has operated nine hotel businesses during the year, all situated within the Cotswolds as follows:

The Bay Tree Hotel, Burford  
The Bear of Rodborough Hotel, Stroud  
The Broadway Hotel, Broadway  
The Manor House Hotel, Moreton in Marsh  
The Swan Hotel, Bibury  
The Lamb Inn, Burford  
The Hare and Hounds Hotel, Tetbury  
The Close Hotel, Tetbury

In addition the company operated the following 2 bars:

Utopia Bar, Birmingham  
Churchills Bar, Birmingham

**DIVIDENDS**

No dividends will be distributed for the year ended 30 September 2018.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 October 2017 to the date of this report.

Mr M T Horton  
Mrs P J Horton  
Mrs J P Barlow  
Mr P Davis  
Mrs N A Linington  
Mr G J Cleaver

**DISABLED PERSONS**

The Company's policy is to recruit disabled workers for those vacant positions which they are able to fulfill. All necessary assistance with initial training courses is given and once employed a relevant career plan is discussed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for the retraining of employees who become disabled, to enable them to perform work that is identified as appropriate to their aptitudes and abilities.

**Report of the Directors**  
**for the year ended 30 September 2018**

**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), including Financial Reporting Standard 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 accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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, Phoenix Business Associates Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**



Mrs J P Barlow - Director

7 March 2019

**Report of the Independent Auditors to the Members of  
Cotswold Inns & Hotels Limited**

**Opinion**

We have audited the financial statements of Cotswold Inns & Hotels Limited (the 'company') for the year ended 30 September 2018 which comprise the Profit and Loss Account, Other 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 30 September 2018 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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**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 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, 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 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  
Cotswold Inns & Hotels Limited**

**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 four, 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.

**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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

**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.



David R Hill F.C.C.A. (Senior Statutory Auditor)  
for and on behalf of Phoenix Business Associates Limited  
Chartered Certified Accountants  
Statutory Auditors  
The Riding School House  
Bulls Lane  
Wishaw  
Sutton Coldfield  
West Midlands  
B76 9QW

7 March 2019



**COTSWOLD INNS & HOTELS LIMITED (REGISTERED NUMBER: 03309179)**

**Profit and Loss Account**  
**for the year ended 30 September 2018**

	Notes	30/9/18 £	30/9/17 £
<b>TURNOVER</b>		<b>21,474,622</b>	21,294,279
Cost of sales		<b>14,621,866</b>	14,675,345
<b>GROSS PROFIT</b>		<b>6,852,756</b>	6,618,934
Administrative expenses		<b>6,556,921</b>	5,646,224
<b>OPERATING PROFIT</b>	4	<b>295,835</b>	972,710
Interest receivable and similar income		<b>5,354</b>	184
		<b>301,189</b>	972,894
Interest payable and similar expenses	5	<b>382,515</b>	405,452
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		<b>(81,326)</b>	567,442
Tax on (loss)/profit	6	<b>203,108</b>	181,005
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		<b>(284,434)</b>	386,437

The notes form part of these financial statements

**COTSWOLD INNS & HOTELS LIMITED (REGISTERED NUMBER: 03309179)**

**Other Comprehensive Income**  
**for the year ended 30 September 2018**

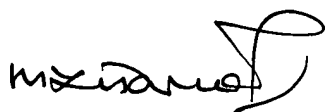
	Notes	30/9/18 £	30/9/17 £
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b>(284,434)</b>	<b>386,437</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>(284,434)</u></b>	<b><u>386,437</u></b>

The notes form part of these financial statements

**Balance Sheet  
30 September 2018**

	Notes	30/9/18		30/9/17	
		£	£	£	£
<b>FIXED ASSETS</b>					
Intangible assets	7		1,531,319		1,682,630
Tangible assets	8		30,731,602		34,516,398
			<u>32,262,921</u>		<u>36,199,028</u>
<b>CURRENT ASSETS</b>					
Stocks	9	235,587		255,007	
Debtors	10	1,087,021		1,067,105	
Cash at bank		2,328,351		2,632,577	
			<u>3,650,959</u>		<u>3,954,689</u>
<b>CREDITORS</b>					
Amounts falling due within one year	11	5,861,608		5,788,146	
<b>NET CURRENT LIABILITIES</b>			<u>(2,210,649)</u>		<u>(1,833,457)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>30,052,272</u>		<u>34,365,571</u>
<b>CREDITORS</b>					
Amounts falling due after more than one year	12		(8,301,693)		(12,330,558)
<b>PROVISIONS FOR LIABILITIES</b>	16		<u>(873,586)</u>		<u>(903,095)</u>
<b>NET ASSETS</b>			<u><u>20,876,993</u></u>		<u><u>21,131,918</u></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		12,050,000		12,050,000
Revaluation reserve	18		10,181,588		10,152,079
Retained earnings	18		<u>(1,354,595)</u>		<u>(1,070,161)</u>
<b>SHAREHOLDERS' FUNDS</b>			<u><u>20,876,993</u></u>		<u><u>21,131,918</u></u>

The financial statements were approved by the Board of Directors on 7 March 2019 and were signed on its behalf by:



Mr M T Horton - Director



Mrs P J Horton - Director

**Statement of Changes in Equity**  
**for the year ended 30 September 2018**

	Called up share capital £	Retained earnings £	Revaluation reserve £	Total equity £
<b>Balance at 1 October 2016</b>	12,050,000	(1,456,598)	9,996,005	20,589,407
<b>Changes in equity</b>				
Total comprehensive income	-	386,437	156,074	542,511
<b>Balance at 30 September 2017</b>	<u>12,050,000</u>	<u>(1,070,161)</u>	<u>10,152,079</u>	<u>21,131,918</u>
<b>Changes in equity</b>				
Total comprehensive income	-	(284,434)	29,509	(254,925)
<b>Balance at 30 September 2018</b>	<u><u>12,050,000</u></u>	<u><u>(1,354,595)</u></u>	<u><u>10,181,588</u></u>	<u><u>20,876,993</u></u>

**Cash Flow Statement**  
**for the year ended 30 September 2018**

	Notes	30/9/18 £	30/9/17 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	2,250,587	2,682,630
Interest paid		(381,086)	(405,112)
Interest element of hire purchase payments paid		(1,429)	(340)
Tax paid		(181,005)	(147,254)
Net cash from operating activities		<u>1,687,067</u>	<u>2,129,924</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(1,068,804)	(903,412)
Sale of tangible fixed assets		3,034,247	6,100
Interest received		5,354	184
Net cash from investing activities		<u>1,970,797</u>	<u>(897,128)</u>
<b>Cash flows from financing activities</b>			
Net loan repayments) in year		(3,998,258)	(1,226,256)
Net inflows from new contracts		36,168	(1,236)
Net cash from financing activities		<u>(3,962,090)</u>	<u>(1,227,492)</u>
<b>(Decrease)/increase in cash and cash equivalents</b>		<u>(304,226)</u>	5,304
<b>Cash and cash equivalents at beginning of year</b>	2	<u>2,632,577</u>	<u>2,627,273</u>
<b>Cash and cash equivalents at end of year</b>	2	<u><u>2,328,351</u></u>	<u><u>2,632,577</u></u>

The notes form part of these financial statements

**Notes to the Cash Flow Statement**  
**for the year ended 30 September 2018**

**1. RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	<b>30/9/18</b>	<b>30/9/17</b>
	£	£
(Loss)/profit before taxation	<b>(81,326)</b>	567,442
Depreciation charges	<b>1,385,069</b>	1,441,575
Loss/(profit) on disposal of fixed assets	<b>585,594</b>	(6,100)
Finance costs	<b>382,515</b>	405,452
Finance income	<b>(5,354)</b>	(184)
	<b>2,266,498</b>	2,408,185
Decrease/(increase) in stocks	<b>19,420</b>	(32,171)
Increase in trade and other debtors	<b>(19,916)</b>	(23,245)
(Decrease)/increase in trade and other creditors	<b>(15,415)</b>	329,861
<b>Cash generated from operations</b>	<b>2,250,587</b>	2,682,630

**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 30 September 2018**

	<b>30/9/18</b>	<b>1/10/17</b>
	£	£
Cash and cash equivalents	<b>2,328,351</b>	<b>2,632,577</b>

**Year ended 30 September 2017**

	<b>30/9/17</b>	<b>1/10/16</b>
	£	£
Cash and cash equivalents	<b>2,632,577</b>	<b>2,627,273</b>

**Notes to the Financial Statements**  
**for the year ended 30 September 2018**

**1. STATUTORY INFORMATION**

Cotswold Inns & Hotels Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

**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 as modified by the revaluation of certain assets.

The company has net current liabilities at the balance sheet date. However the majority of this is due to bank borrowings which are secured against the various hotel properties. The company enjoys a good working relationship with its bankers and, given that the company has significant overall net assets, the directors believe that the going concern basis of preparation is appropriate.

**Notes to the Financial Statements - continued**  
**for the year ended 30 September 2018**

**2. ACCOUNTING POLICIES - continued**

**Significant judgements and estimates**

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

**Leases**

Determine whether leases entered into by the company either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

**Impairment reviews**

Determine whether there are indicators of impairment of the company's tangible and intangible assets, including goodwill. 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.

**Tangible fixed assets**

Tangible fixed assets, other than investment properties, 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 as well as the annual maintenance expenditure on the hotels.

**Stock/inventories**

Inventories contain an inherent risk factor relating to returns which necessitates both a returns provision to be estimated along with any necessary warranty provision. Management review these provisions on a monthly basis at Board level and perform detailed reviewing procedures to ensure that any provisions required are, in their judgement, sufficient and consistently applied.

Due to the nature of the entity's trade, provisions for slow-moving and obsolete stocks are made and reviewed on a monthly basis also.

**Financial instruments & derivatives**

Management undertake regular reviews of various financial instruments used by the company to manage its foreign currency trading risk to ensure that these are correctly identified, classified and valued. In addition, management regularly review other financing arrangements such as loans between group companies and its directors to ensure that these are also correctly identified as financial instruments, classified correctly as such and then appropriately valued.

**Trade debtors & creditors**

Management review all trading debtor and creditor balances regularly and where there is any doubt as to the recoverability of debtors or payment of creditors, provision is made accordingly so as to ensure that the amounts at the balance sheet date are the recoverable fair value amounts.



**Notes to the Financial Statements - continued**  
**for the year ended 30 September 2018**

**2. ACCOUNTING POLICIES - continued**

**Turnover**

Turnover represents the amounts (excluding Value Added Tax) derived from the provision of goods and services to customers. It is attributable to one continuing activity which is the principal activity of the company.

**Goodwill**

Purchased goodwill arising on business combinations in respect of acquisitions before 1 October 1998, when Financial Reporting Standard 10: Goodwill and Intangible assets was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs, any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 October 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its useful life, estimated by the directors, of 20 years. The Directors reviewed this policy on transition to FRS102 reporting standards in 2016 and are confident that this amortisation policy accurately reflects the life of the goodwill particularly with reference to the existing goodwill on transition which is nearing the end of its period of write off and the hotels are still enjoying success which bears out the policy.

**Intangible assets**

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property and land	- Straight line over 300 years
Short leasehold	- over the period of the lease
Fixtures and fittings	- at varying rates on cost
Motor vehicles	- 25% on cost

Freehold land is not depreciated.

**Stocks**

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

**Taxation**

Taxation 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 in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Notes to the Financial Statements - continued**  
**for the year ended 30 September 2018**

**2. ACCOUNTING POLICIES - continued**

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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

**Hire purchase and leasing commitments**

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life. Future instalments under such leases, net of finance charges, are included in creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as "operating leases" and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

**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.

**Holiday pay accrual**

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

**3. EMPLOYEES AND DIRECTORS**

	<b>30/9/18</b>	<b>30/9/17</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>8,396,799</b>	8,261,690
Social security costs	<b>639,223</b>	687,170
Other pension costs	<b>196,280</b>	201,327
	<b><u>9,232,302</u></b>	<u>9,150,187</u>

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

	<b>30/9/18</b>	<b>30/9/17</b>
Office management	<b>36</b>	34
Bar & hotel staff	<b>367</b>	384
	<b><u>403</u></b>	<u>418</u>

	<b>30/9/18</b>	<b>30/9/17</b>
	<b>£</b>	<b>£</b>
Directors' remuneration	<b><u>607,993</u></b>	<u>551,743</u>

**Notes to the Financial Statements - continued**  
**for the year ended 30 September 2018**

**3. EMPLOYEES AND DIRECTORS - continued**

Information regarding the highest paid director is as follows:

	<b>30/9/18</b>	30/9/17
	£	£
Emoluments etc	<b>169,585</b>	153,000

Pension contributions on behalf of Directors amounting to £35,251 were paid during the year (2017 : £56,837).

**4. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	<b>30/9/18</b>	30/9/17
	£	£
Depreciation - owned assets	<b>1,222,736</b>	1,260,002
Depreciation - assets on hire purchase contracts	<b>11,023</b>	-
Loss/(profit) on disposal of fixed assets	<b>585,594</b>	(6,100)
Goodwill amortisation	<b>151,311</b>	181,573
Auditors' remuneration - Audit fee	<b>17,000</b>	17,000
Auditors' remuneration - Other services	<b>5,825</b>	5,825

**5. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>30/9/18</b>	30/9/17
	£	£
Bank loan & overdraft interest	<b>381,086</b>	405,112
Hire purchase interest	<b>1,429</b>	340
	<b>382,515</b>	405,452

**6. TAXATION**

**Analysis of the tax charge**

The tax charge on the loss for the year was as follows:

	<b>30/9/18</b>	30/9/17
	£	£
Current tax:		
UK corporation tax	<b>203,108</b>	181,005
Tax on (loss)/profit	<b>203,108</b>	181,005

**Notes to the Financial Statements - continued**  
**for the year ended 30 September 2018**

**6. TAXATION - continued**

**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	<b>30/9/18</b>	30/9/17
	£	£
(Loss)/profit before tax	<b>(81,326)</b>	567,442
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.499%)	<b>(15,452)</b>	110,646
Effects of:		
Depreciation in excess of capital allowances	<b>131,198</b>	114,860
Revenue expenses capitalised	<b>(13,370)</b>	(11,046)
Allowable purchased goodwill	<b>(27,166)</b>	(33,455)
Other allowable items	<b>(53)</b>	-
Capital gains tax losses	<b>127,951</b>	-
Total tax charge	<b>203,108</b>	181,005

**7. INTANGIBLE FIXED ASSETS**

	Goodwill
	£
<b>COST</b>	
At 1 October 2017	3,710,701
Disposals	(125,000)
At 30 September 2018	3,585,701
<b>AMORTISATION</b>	
At 1 October 2017	2,028,071
Amortisation for year	151,311
Eliminated on disposal	(125,000)
At 30 September 2018	2,054,382
<b>NET BOOK VALUE</b>	
At 30 September 2018	1,531,319
At 30 September 2017	1,682,630

**Notes to the Financial Statements - continued  
for the year ended 30 September 2018**

**8. TANGIBLE FIXED ASSETS**

	Freehold property and land £	Short leasehold £	Fixtures and fittings £	Motor vehicles £	Totals £
<b>COST OR VALUATION</b>					
At 1 October 2017	35,169,838	49,305	12,329,746	79,768	47,628,657
Additions	283,924	10,592	726,186	48,102	1,068,804
Disposals	(3,224,077)	-	(665,725)	(18,540)	(3,908,342)
At 30 September 2018	<u>32,229,685</u>	<u>59,897</u>	<u>12,390,207</u>	<u>109,330</u>	<u>44,789,119</u>
<b>DEPRECIATION</b>					
At 1 October 2017	3,489,094	19,626	9,543,564	59,975	13,112,259
Charge for year	327,806	7,956	881,049	16,948	1,233,759
Eliminated on disposal	(29,754)	-	(240,207)	(18,540)	(288,501)
At 30 September 2018	<u>3,787,146</u>	<u>27,582</u>	<u>10,184,406</u>	<u>58,383</u>	<u>14,057,517</u>
<b>NET BOOK VALUE</b>					
At 30 September 2018	<u>28,442,539</u>	<u>32,315</u>	<u>2,205,801</u>	<u>50,947</u>	<u>30,731,602</u>
At 30 September 2017	<u>31,680,744</u>	<u>29,679</u>	<u>2,786,182</u>	<u>19,793</u>	<u>34,516,398</u>

Cost or valuation at 30 September 2018 is represented by:

	Freehold property and land £	Short leasehold £	Fixtures and fittings £	Motor vehicles £	Totals £
Valuation in 2008	5,567,230	-	-	-	5,567,230
Valuation in 2009	1,481,137	-	-	-	1,481,137
Valuation in 2014	4,006,807	-	-	-	4,006,807
Cost	<u>21,174,511</u>	<u>59,897</u>	<u>12,390,207</u>	<u>109,330</u>	<u>33,733,945</u>
	<u>32,229,685</u>	<u>59,897</u>	<u>12,390,207</u>	<u>109,330</u>	<u>44,789,119</u>

If freehold land and buildings had not been revalued they would have been included at the following historical cost:

	30/9/18 £	30/9/17 £
Cost	<u>21,174,511</u>	<u>24,114,664</u>
Aggregate depreciation	<u>709,914</u>	<u>739,668</u>
Value of land in freehold land and buildings	<u>2,216,612</u>	<u>3,006,418</u>

**Notes to the Financial Statements - continued  
for the year ended 30 September 2018**

**8. TANGIBLE FIXED ASSETS - continued**

Freehold land and buildings were last valued and included in the 2014 accounts at market value by Messrs. Fleurets, Chartered Surveyors, on an existing use basis, assuming that the properties are fully equipped as operational entities and having regard to trading potential and on the assumption that full vacant possession is available.

The valuation complied with the provisions of the global edition of the RICS Valuation - Professional Standards 2014 (incorporating the International Valuation Standards), published in January 2014 by the Royal Institution of Chartered Surveyors (RICS).

The company took advantage of exemptions allowed under FRS102 upon transition to the new reporting framework in 2016 and has adopted the latest valuation as the deemed cost for the properties.

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	<b>Motor vehicles £</b>
<b>COST OR VALUATION</b>	
Additions	<b>48,102</b>
At 30 September 2018	<b>48,102</b>
<b>DEPRECIATION</b>	
Charge for year	<b>11,023</b>
At 30 September 2018	<b>11,023</b>
<b>NET BOOK VALUE</b>	
At 30 September 2018	<b>37,079</b>

**9. STOCKS**

	<b>30/9/18 £</b>	<b>30/9/17 £</b>
Food and liquor	<b>217,871</b>	236,498
Consumables	<b>17,716</b>	18,509
	<b>235,587</b>	255,007

**10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>30/9/18 £</b>	<b>30/9/17 £</b>
Trade debtors	<b>146,741</b>	156,542
Other debtors	<b>55,770</b>	48,852
Prepayments and accrued income	<b>884,510</b>	861,711
	<b>1,087,021</b>	1,067,105

**Notes to the Financial Statements - continued  
for the year ended 30 September 2018**

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	30/9/18	30/9/17
	£	£
Bank loans and overdrafts (see note 13)	1,295,716	1,233,985
Hire purchase contracts (see note 14)	5,043	-
Trade creditors	1,662,919	1,533,668
Corporation tax payable	203,108	181,005
Social security and other taxes	171,821	178,935
VAT	523,854	594,135
Other creditors	1,333,561	1,376,142
Wages control account	232,705	247,688
Accruals and deferred income	432,881	442,588
	<u>5,861,608</u>	<u>5,788,146</u>

**12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	30/9/18	30/9/17
	£	£
Bank loans (see note 13)	8,270,568	12,330,558
Hire purchase contracts (see note 14)	31,125	-
	<u>8,301,693</u>	<u>12,330,558</u>

**13. LOANS**

An analysis of the maturity of loans is given below:

	30/9/18	30/9/17
	£	£
Amounts falling due within one year or on demand:		
Bank loans	<u>1,295,716</u>	<u>1,233,985</u>
Amounts falling due between one and two years:		
Bank loans	<u>948,135</u>	<u>1,631,039</u>
Amounts falling due between two and five years:		
Bank loans	<u>3,311,667</u>	<u>4,383,086</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans	<u>4,010,766</u>	<u>6,316,433</u>

**Notes to the Financial Statements - continued**  
**for the year ended 30 September 2018**

**14. LEASING AGREEMENTS**

Minimum lease payments under hire purchase fall due as follows:

	<b>30/9/18</b>	30/9/17
	£	£
Net obligations repayable:		
Within one year	<b>5,043</b>	-
Between one and five years	<b>31,125</b>	-
	<u><b>36,168</b></u>	<u>-</u>

**15. SECURED DEBTS**

The following secured debts are included within creditors:

	<b>30/9/18</b>	30/9/17
	£	£
Bank loans	<b>9,566,284</b>	13,564,543
Hire purchase contracts	<b>36,168</b>	-
	<u><b>9,602,452</b></u>	<u>13,564,543</u>

The bank loans and overdraft are secured by way of a fixed charge over The Lamb Inn, The Swan Hotel, The Manor House Hotel, The Broadway Hotel, The Hare & Hounds Hotel, The Bay Tree Hotel, The Bear of Rodborough Hotel, The Close Hotel, 17 Fosseyway Avenue, Moreton, 2a Frethern Close, Burton, 6 Jubilee Court, Bibury and a floating charge over the company's assets.

As at the year end the company had the following facilities:

Loan 1 - £2,000,000 drawn down in December 2008. Capital repayment holiday until April 2010. Interest fixed at 4.87% per annum until 18th March 2016. Prior to the year end the company renegotiated this loan which will commence on 18th March 2016 at a rate of 3.60% per annum until 18th March 2025;

Loan 2 - £2,000,000 drawn down in January 2009. Capital repayment holiday until May 2010. Following refinancing the interest rate was fixed at 3.80% per annum for 7 years from April 2014;

Loan 3 - £2,000,000 drawn down in January 2009. Capital repayment holiday until May 2010. The loan was refinanced on 7th April 2015 on £1,444,485 at a rate of 3.54% fixed until 7th April 2025;

Loan 4 - £1,850,000 drawn down in February 2009. Capital repayment holiday until June 2010. Interest fixed at base rate plus 1.25% for 180 consecutive months;

Loan 5 - repaid in the year.

Loan 6 - £2,500,000 drawn down in June 2013. Interest has been fixed at a rate of 3.98% for 60 consecutive months;

Loan 7 - £500,000 drawn down February 2014. Interest has been fixed at a rate of 4.02% for 5 years.

Loan 8 - £4,000,000 drawn down February 2016. Interest at 2 year variable rate of 2% above Base Rate. Forward fix commences on 1st February 2018 on £3,549,358 fixed for 10 years until 1st February 2028 at 3.87%.

**16. PROVISIONS FOR LIABILITIES**

	<b>30/9/18</b>	30/9/17
	£	£
Deferred tax	<b>873,586</b>	903,095
	<u><b>873,586</b></u>	<u>903,095</u>





**Notes to the Financial Statements - continued**  
**for the year ended 30 September 2018**

**21. ULTIMATE CONTROLLING PARTY**

The ultimate controlling party is M T Horton and P J Horton.