Company Registration No. 3271621

# BANNATYNE HOTELS LIMITED

## Report and Financial Statements

## 31 December 2012

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# REPORT AND FINANCIAL STATEMENTS 2012

## OFFICERS AND PROFESSIONAL ADVISERS


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# REPORT AND FINANCIAL STATEMENTS 2012

## OFFICERS AND PROFESSIONAL ADVISERS

### DIRECTORS

D W Bannatyne OBE, D Sc DBA
G N Armstrong FM AAT
S Hancock R I P (Appointed 1 January 2012)
C P Watson ACMA (Appointed 24 December 2012)

### SECRETARY

C P Watson ACMA

### REGISTERED OFFICE

Power House
Haughton Road
Darlington
Co Durham
DL1 1ST

### BANKERS

Barclays Corporate
PO Box 378
71 Grey Street
Newcastle upon Tyne
NE99 1JP

### SOLICITORS

Ward Hadaway
102 Quayside
Newcastle upon Tyne
NE1 3DX

### AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
United Kingdom
NE1 2HF

# DIRECTORS' REPORT

The directors present their annual report on the affairs of the group together with the financial statements and auditor's report for the year ended 31 December 2012

## PRINCIPAL ACTIVITIES

The principal activity of the group continues to be that of the management and operation of hotels, restaurants and bars

The subsidiaries and associated undertakings principally affecting the profits or net assets of the group are listed in note 8 to the financial statements

## REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The group operates four hotels and a bar The directors are satisfied with the results of the group for the year

Key financial performance indicators include that of occupancy rate, net room rate and trading turnover

The average occupancy rate for the year was 72% (2011 74%) and the average net room rate was £65 58 (2011 £64 11) Turnover for the year was £7 6m (2011 £7 6m) The results for the year showed profit before tax of £612,933 after adding back impairment of investments of £50,000 (2011 £566,256 after adding back impairment of investments of £32,500), being an increase of 8 2%

At the end of the year the group had net assets of £7 7m (2011 £7 3m)

The group meets its day to day working capital requirements through its positive operating cash flows The investment that the group has made in its hotel facilities and range of products and the diversity that the group continues to offer, allows the directors to be confident of forecasting positive performance for the future

## PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the group's strategy are subject to a number of risks including the risks described below

The risks and uncertainties facing the business include the competition that exists within the industry as well as the level of disposable income the average household has to fund leisure and social activities

## FINANCIAL RISK MANAGEMENT

The group's operations expose it to a number of financial risks that include the effect of changes in liquidity risk and interest rate risk

*Liquidity risk*

The group's day to day operations are cash based However, the group has long term debt finance that is designed to ensure it has sufficient funds for its operations

The group's banking arrangement and the associated covenants continue to be tested and monitored on an annual basis, looking forward to the year ahead The directors have considered the current economic challenges and using the performance of 2012 and the initial forecast for 2013 they are confident that all covenants will be met

The directors therefore have a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future (refer to note 1 to the financial statements)

*Interest risk*

In order to ensure the stability of cash outflows and hence manage interest rate risk, the group has a policy of hedging a significant proportion of its debt using derivative financial instruments (refer to note 13 to the financial statements)

## DIRECTORS' REPORT (continued)

### RESULTS AND DIVIDENDS

The results for the group for the year are set out on page 6 The directors do not recommend the payment of a final dividend (2011 £nil)

### DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1, and the directors who served during the year were as follows

D W Bannatyne OBE, D Sc DBA
G N Armstrong FM AAT
S Hancock R I P (Appointed 1 January 2012)
C P Watson ACMA (Appointed 24 December 2012)

### AUDITOR

Each of the persons who are directors of the company at the date of approval of this report confirms that

- So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the 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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

G N Armstrong FM AAT
Chief Executive Officer

Date 6 March 2013

## DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BANNATYNE HOTELS LIMITED

We have audited the financial statements of Bannatyne Hotels Limited for the year ended 31 December 2012 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, and the related notes 1 to 23 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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 auditors**

As explained more fully in the Directors' Responsibilities Statement, 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 (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2012 and of the group's profit 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

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

**David Wilkinson FCA CF (Senior Statutory Auditor)**
**for and on behalf of Deloitte LLP**
Chartered Accountants and Statutory Auditors
Newcastle Upon Tyne, United Kingdom
7 March 2013

## CONSOLIDATED PROFIT AND LOSS ACCOUNT
## Year ended 31 December 2012

| | Note | 2012 £ | 2011 £ |
|---|---|---|---|
| **TURNOVER** | 1 | 7,569,185 | 7,569,437 |
| Cost of sales | | (1,365,283) | (1,408,307) |
| **GROSS PROFIT** | | 6,203,902 | 6,161,130 |
| Administrative expenses | | (5,120,528) | (5,073,118) |
| **OPERATING PROFIT** | | 1,083,374 | 1,088,012 |
| Impairment of investment | | (50,000) | (32,500) |
| **PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST** | | 1,033,374 | 1,055,512 |
| Interest payable and similar charges | 2 | (470,441) | (521,756) |
| **PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION** | 3 | 562,933 | 533,756 |
| Tax charge on profit on ordinary activities | 5 | (155,534) | (155,415) |
| **PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES** | 16, 17 | 407,399 | 378,341 |

All activities of the group are classed as continuing operations

There were no other gains or losses during the current and preceding year, and accordingly no separate statement of total recognised gains and losses is shown

## CONSOLIDATED BALANCE SHEET
## 31 December 2012

| | Note | 2012 £ | 2012 £ | 2011 £ | 2011 £ |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Intangible assets | 6 | | 425,037 | | 454,183 |
| Tangible assets | 7 | | 18,070,638 | | 18,011,858 |
| Investments | 8 | | - | | 50,000 |
| | | | 18,495,675 | | 18,516,041 |
| **CURRENT ASSETS** | | | | | |
| Stock | 9 | 93,404 | | 95,404 | |
| Debtors | 10 | 414,887 | | 638,903 | |
| Cash at bank and in hand | | 119,188 | | 396,098 | |
| | | 627,479 | | 1,130,405 | |
| **CREDITORS: amounts falling due within one year** | 11 | (2,329,798) | | (2,417,972) | |
| **NET CURRENT LIABILITIES** | | | (1,702,319) | | (1,287,567) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | 16,793,356 | | 17,228,474 |
| **CREDITORS: amounts falling due after more than one year** | 12 | | (8,660,369) | | (9,544,344) |
| **PROVISIONS FOR LIABILITIES** | 14 | | (439,794) | | (398,336) |
| **NET ASSETS** | | | 7,693,193 | | 7,285,794 |
| **CAPITAL AND RESERVES** | | | | | |
| Called-up share capital | 15 | | 2,031,528 | | 2,031,528 |
| Share premium | 16 | | 1,217,051 | | 1,217,051 |
| Merger reserve | 16 | | 891,430 | | 891,430 |
| Profit and loss account | 16 | | 3,553,184 | | 3,145,785 |
| **TOTAL SHAREHOLDERS' FUNDS** | 17 | | 7,693,193 | | 7,285,794 |

These financial statements of Bannatyne Hotels Limited, registered company number 3271621, were approved by the Board of Directors and authorised for issue on 6 March 2013

Signed on Behalf of the Board of Directors

G N Armstrong FM AAT
Chief Executive Officer

## COMPANY BALANCE SHEET
## 31 December 2012

| | Note | 2012 £ | 2012 £ | 2011 £ | 2011 £ |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Tangible assets | 7 | | 6,184,998 | | 6,145,983 |
| Investments | 8 | | 4,557,519 | | 4,557,519 |
| | | | 10,742,517 | | 10,703,502 |
| **CURRENT ASSETS** | | | | | |
| Stocks | 9 | 23,083 | | 22,620 | |
| Debtors | 10 | 7,566,221 | | 7,722,225 | |
| Cash at bank and in hand | | 37,546 | | 51,026 | |
| | | 7,626,850 | | 7,795,871 | |
| **CREDITORS: amounts falling due within one year** | 11 | (2,690,698) | | (2,453,195) | |
| **NET CURRENT ASSETS** | | | 4,936,152 | | 5,342,676 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | 15,678,669 | | 16,046,178 |
| **CREDITORS: amounts falling due after more than one year** | 12 | | (8,627,669) | | (9,446,210) |
| **PROVISIONS FOR LIABILITIES** | 14 | | (103,048) | | (93,392) |
| **NET ASSETS** | | | 6,947,952 | | 6,506,576 |
| **CAPITAL AND RESERVES** | | | | | |
| Called-up share capital | 15 | | 2,031,528 | | 2,031,528 |
| Share premium | 16 | | 1,217,051 | | 1,217,051 |
| Merger reserve | 16 | | 891,430 | | 891,430 |
| Profit and loss account | 16 | | 2,807,943 | | 2,366,567 |
| **TOTAL SHAREHOLDERS' FUNDS** | 17 | | 6,947,952 | | 6,506,576 |

These financial statements of Bannatyne Hotels Limited, registered company number 3271621, were approved by the Board of Directors and authorised for issue on 6 March 2013

Signed on Behalf of the Board of Directors

G N Armstrong FM AAT
Chief Executive Officer

## CONSOLIDATED CASH FLOW STATEMENT
## Year ended 31 December 2012

| | Note | 2012 £ | 2012 £ | 2011 £ | 2011 £ |
|---|---|---|---|---|---|
| **Net cash inflow from operating activities** | 18 | | 1,642,541 | | 1,696,866 |
| **Returns on investments and servicing of finance** | | | | | |
| Interest paid | | (454,534) | | (509,548) | |
| Interest element of hire purchase contracts | | (14,584) | | (10,238) | |
| **Net cash outflow from returns on investments and servicing of finance** | | | (469,118) | | (519,786) |
| **UK Corporation tax** | | | (28,102) | | (138,444) |
| **Capital expenditure and financial investment** | | | | | |
| Payments to acquire tangible fixed assets | | (665,768) | | (1,831,886) | |
| Receipts from disposal of tangible fixed assets | | 116,184 | | - | |
| Purchase of investments | | - | | (50,000) | |
| **Net cash outflow from capital expenditure and financial investment** | | | (549,584) | | (1,881,886) |
| **Cash inflow / (outflow) before financing** | | | 595,737 | | (843,250) |
| **Financing** | | | | | |
| New long term bank loan | | - | | 735,000 | |
| Repayment of long term bank loans | | (775,341) | | (739,996) | |
| Capital element of hire purchase contracts | | (97,306) | | (67,240) | |
| Proceeds from issue of shares | | - | | 900,005 | |
| **Net cash (outflow) / inflow from financing** | | | (872,647) | | 827,769 |
| **Decrease in cash** | 19, 20 | | (276,910) | | (15,481) |

# NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 December 2012

### 1. ACCOUNTING POLICIES

The principal accounting policies are summarised below They have all been applied consistently throughout the current and preceding year

**Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

**Going concern**

The group's business activities are set out in the Review of Developments and Future Prospects section of the Directors' Report The management of the business and the execution of the company's strategy are subject to a number of risks The risks and uncertainties facing the business are discussed below

The group's day to day operations are cash based However, the group has long term debt finance that is designed to ensure it has sufficient funds for its operations The group's banking arrangements and the associated covenants continue to be tested and certified annually and are monitored by management on an ongoing basis Whilst a breach of one or more of these covenants could result in the group's debt becoming immediately repayable, this situation is not currently envisaged and the group has historically met all covenants

The group is subject to a number of uncertainties, some of which arise as a result of the current economic conditions, including (a) competition that exists within the industry, (b) the level of disposable income the average household has to fund leisure and social activities, and (c) the ability of the group to remain compliant with the terms of its bank finance in the foreseeable future The directors have considered the current economic challenges and after considering both the performance in 2012 and their current forecasts for 2013 and beyond, taking into account of reasonably possible changes in trading performance, they are confident that the terms and covenants of all current facilities will continue to be met

In coming to this conclusion the directors have noted that the balance sheet of the group at 31 December 2012 is in a net current liability position and consider that this is mainly the result of acquisitions and developments giving rise to annual loan repayments of £0 8m In addition to this £0 4m of the current liabilities relates to trade creditors and the group has negotiated beneficial credit terms, whereas the cash based nature of the business means there are few trade debtors Accordingly, the directors believe that net current liabilities shown in the group's balance sheet do not indicate that it cannot pay its debts as they fall due

Thus the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements

**Basis of consolidation**

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December each year The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed Acquisitions are accounted for under the acquisition method

No profit and loss account is presented for the company as permitted by Section 408 of the Companies Act 2006 The company's result for the financial year is disclosed in note 17

**Turnover**

Turnover, which excludes VAT, represents the value of goods and services supplied in the normal course of business entirely within the United Kingdom Turnover is recognised on delivery of goods and services to customers The total turnover of the group for the year has been derived from its principal activity, the management and operation of hotels, restaurants and bars

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 December 2012

1. ACCOUNTING POLICIES (continued)

**Interest and internal development costs**

Interest and other internal development costs directly attributable to hotels in the course of development are capitalised until these developments start to trade For this purpose, the interest rate applied to funds provided for property development is arrived at by reference to the actual rate payable on all borrowings

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets, excluding freehold land, at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

| | |
|---|---|
| Freehold buildings | Buildings - 2% straight line |
| Fixtures, fittings and equipment | 10% - 33 3% straight line |

Residual value is calculated on prices prevailing at the date of acquisition or revaluation

**Goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 20 years Provision is made for any impairment

**Investments**

Fixed asset investments are stated at cost less provision for impairment

**Leasing and hire purchase commitments**

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives

**Stock**

Stock is stated at the lower of cost and net realisable value Stock comprises consumables and goods for resale, and the net realisable value is based on estimated selling price

**Bank borrowings**

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period to which they arise

**Derivative financial instruments**

The Group uses derivative financial instruments to reduce exposure to interest rate movements The Group does not hold or issue derivative financial instruments for speculative purposes As described in note 13 the group chooses to not fair value its derivative instruments

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 December 2012

### 1. ACCOUNTING POLICIES (continued)

**Taxation**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

### 2. INTEREST PAYABLE

| | | |
|---|---|---|
| **Interest payable and similar charges** | | |
| Bank loans and overdrafts | 455,750 | 475,406 |
| Hire purchase interest | 14,584 | 46,250 |
| Corporation tax interest | 107 | 100 |
| | 470,441 | 521,756 |

# NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 December 2012

### 3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 2012 £ | 2011 £ |
|---|---|---|
| **Profit on ordinary activities before taxation is stated after charging / (crediting):** | | |
| Depreciation of tangible assets | | |
| - owned assets | 486,218 | 507,768 |
| - assets held under finance leases and HP contracts | 30,852 | 19,991 |
| Profit on disposal of tangible fixed assets | (26,265) | - |
| Amortisation of goodwill | 29,146 | 29,147 |
| Impairment of investments | 50,000 | 32,500 |
| Operating lease rentals | | |
| - other | 153,061 | 115,172 |

The analysis of auditor's remuneration is as follows

| | 2012 £ | 2011 £ |
|---|---|---|
| **Fees payable to the company's auditor for the audit of the company's financial statements** | 10,450 | 9,975 |
| **Fees payable to the company's auditor and their associates for other services to the group:** | | |
| The audit of the company's subsidiaries, pursuant to legislation | 22,385 | 21,735 |
| **Total audit fees** | 32,835 | 31,710 |

Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis

### 4. STAFF COSTS

| | 2012 No. | 2011 No. |
|---|---|---|
| **The average monthly number of employees during the year was:** | | |
| Hotel staff | 174 | 195 |
| Bar staff | 16 | 17 |
| | 190 | 212 |

| **Their aggregate remuneration comprised:** | £ | £ |
|---|---|---|
| Wages and salaries | 2,123,154 | 2,133,589 |
| Social security costs | 150,416 | 151,043 |
| | 2,273,570 | 2,284,632 |

None of the directors received any remuneration in respect of the company during the current or preceding year

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 December 2012

### 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

i) Analysis of tax charge on ordinary activities

| | 2012 £ | 2011 £ |
|---|---|---|
| United Kingdom corporation tax at 24 5% (2011 26 5%) based on the profit for the year | 117,442 | 79,716 |
| Adjustments in respect of prior years | (3,366) | (5,049) |
| | 114,076 | 74,667 |
| Deferred tax | | |
| Timing differences, origination and reversal | 76,950 | 110,802 |
| Adjustment in respect of prior years | 1,177 | (308) |
| Effect of change in tax rate on opening liability | (36,669) | (29,746) |
| | 155,534 | 155,415 |

ii) Factors affecting tax charge for the current year

| | 2012 £ | 2011 £ |
|---|---|---|
| Profit on ordinary activities before tax | 562,933 | 533,756 |
| Tax at 24 5% (2011 26 5%) thereon | 137,897 | 141,409 |
| Expenses not deductible for tax purposes | 57,617 | 51,607 |
| Capital allowances in excess of depreciation | (68,458) | (92,942) |
| Movement in timing differences | (17) | - |
| Utilisation of tax losses | (8,472) | (17,859) |
| Effects of other tax rates / credits | (1,125) | (2,499) |
| Adjustment in respect of prior years | (3,366) | (5,049) |
| Current tax charge for the year | 114,076 | 74,667 |

Finance Act 2012, which was substantively enacted on 17 July 2012, includes provisions to reduce the rate of corporation tax to 24% with effect from 1 April 2012 and 23% with effect from 1 April 2013 Accordingly deferred tax balances have been revalued to the lower rate of 23% in these accounts, which has resulted in a credit to the profit and loss account of £36,669

The government has announced that it intends to reduce the rate of corporation tax to 21% with effect from 1 April 2014 As this legislation was not substantially enacted by 31 December 2012, the impact of the anticipated rate change is not reflected in the tax provisions reported in these accounts If the deferred tax assets and liabilities were all to reverse after 1 April 2014, the effect of the future changes from 23% to 21% would be to reduce the net deferred tax liability by £38,243 To the extent that the deferred tax reverses more quickly than this the impact on the net deferred tax liability will be reduced

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 December 2012

### 6. INTANGIBLE FIXED ASSETS

| Group | Goodwill £ |
|---|---|
| **Cost** | |
| At 1 January 2012 and 31 December 2012 | 582,911 |
| **Amortisation** | |
| At 1 January 2012 | 128,728 |
| Charge for the year | 29,146 |
| At 31 December 2012 | 157,874 |
| **Net book value** | |
| At 31 December 2012 | 425,037 |
| At 31 December 2011 | 454,183 |

### 7. TANGIBLE FIXED ASSETS

| Group | Freehold land and buildings £ | Short leasehold land and buildings £ | Fixtures, fittings and equipment £ | Total £ |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2012 | 15,365,060 | 720,502 | 3,929,429 | 20,014,991 |
| Additions | 61,821 | - | 603,947 | 665,768 |
| Disposals | - | - | (139,018) | (139,018) |
| At 31 December 2012 | 15,426,881 | 720,502 | 4,394,358 | 20,541,741 |
| **Depreciation** | | | | |
| At 1 January 2012 | 434,479 | 74,403 | 1,494,251 | 2,003,133 |
| Charge for the year | 121,493 | 37,200 | 358,377 | 517,070 |
| Disposals | - | - | (49,100) | (49,100) |
| At 31 December 2012 | 555,972 | 111,603 | 1,803,528 | 2,471,103 |
| **Net book value** | | | | |
| At 31 December 2012 | 14,870,909 | 608,899 | 2,590,830 | 18,070,638 |
| At 31 December 2011 | 14,930,581 | 646,099 | 2,435,178 | 18,011,858 |

The net book value of tangible fixed assets includes £55,880 (2011 £57,175) in respect of interest that has been capitalised within fixed assets while construction work was undertaken in the company The depreciation charge in respect of the capitalised interest amounted to £1,295 (2011 £1,295) for the year

The net book value of tangible fixed assets includes £239,750 (2011 £267,708) in respect of assets held under finance leases or hire purchase contracts The depreciation charge in respect of such assets amounted to £30,852 (2011 £19,991) for the year

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 December 2012

### 7. TANGIBLE FIXED ASSETS (continued)

| Company | Freehold land and buildings £ | Fixtures, fittings and equipment £ | Total £ |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2012 | 5,780,688 | 1,545,132 | 7,325,820 |
| Additions | 2,625 | 149,186 | 151,811 |
| Disposals | (10,050) | - | (10,050) |
| At 31 December 2012 | 5,773,263 | 1,694,318 | 7,467,581 |
| **Depreciation** | | | |
| At 1 January 2012 | 168,676 | 1,011,161 | 1,179,837 |
| Charge for the year | 32,857 | 69,889 | 102,746 |
| At 31 December 2012 | 201,533 | 1,081,050 | 1,282,583 |
| **Net book value** | | | |
| At 31 December 2012 | 5,571,730 | 613,268 | 6,184,998 |
| At 31 December 2011 | 5,612,012 | 533,971 | 6,145,983 |

The net book value of tangible fixed assets includes £55,880 (2011 £57,175) in respect of interest that has been capitalised within fixed assets while construction work was undertaken in the company The depreciation charge in respect of the capitalised interest amounted to £1,295 (2011 £1,295) for the year

The net book value of tangible fixed assets includes £17,056 (2011 £19,381) in respect of assets held under finance leases or hire purchase contracts The depreciation charge in respect of such assets amounted to £2,325 (2011 £2,325) for the year

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 December 2012

### 8. FIXED ASSET INVESTMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| Subsidiary undertakings | - | - | 4,557,519 | 4,557,519 |
| Investments | - | 50,000 | - | - |
| | - | 50,000 | 4,557,519 | 4,557,519 |

**Group**

During the current year the group's interest in the ordinary share capital of Bannatyne Music Limited (formerly RKA Records Limited), a company incorporated in England and Wales, was reduced from 79% to 51% following a share issue The group has impaired its 51% interest in the ordinary share capital of Bannatyne Music Limited due to underperformance The principal activity of the company is the publishing of sound recordings This investment has been excluded from the consolidation because it is immaterial to the group

During the preceding year the group impaired its 15% interest in the ordinary share capital of Worthenshaw's Limited, a company incorporated in England and Wales, due to falling sales and declining profits The principal activity of the company is the supply and distribution of frozen desserts

| | Investments £ |
|---|---|
| **Cost and net book value** | |
| At 1 January 2012 | 50,000 |
| Impairment of investments | (50,000) |
| At 31 December 2012 | - |

**Company**

| | Subsidiary undertakings £ |
|---|---|
| At 1 January 2012 and 31 December 2012 | 4,557,519 |

The company holds investments in the following companies incorporated in England

| Subsidiary undertakings: | Principal activity | % Holding | Class of shares held |
|---|---|---|---|
| Bannatyne Housing Limited | Dormant | 100 | £1 Ordinary |
| Bannatyne Property Limited | Dormant | 100 | £1 Ordinary |
| Bannatyne (The Manor) Limited | Dormant | 100 | £1 Ordinary |
| Bannatyne Spa Hotel (Hastings) Limited | Hotel and restaurant | 100 | £1 Ordinary |
| Bannatyne Spa Hotel (Charlton House) Limited | Hotel and restaurant | 100 | £1 Ordinary |
| Bannatyne Media Limited | Media Company | 100 | £1 Ordinary |
| Bannatyne Bars Limited | Operation of Licensed Bar | 100 | £1 Ordinary |
| Bannatyne's Health Club (Stirling) Limited | Dormant | 100 | £1 Ordinary |

The results of all of the above companies are included in the consolidated results of the group

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 December 2012

### 9. STOCKS

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| Consumables and goods for resale | 93,404 | 95,404 | 23,083 | 22,620 |

### 10. DEBTORS

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| Trade debtors | 49,961 | 122,097 | 39,616 | 54,998 |
| Other debtors | 29,382 | 107,968 | 27,000 | 35,051 |
| Prepayments and accrued income | 249,323 | 272,677 | 75,739 | 111,329 |
| Amounts due from subsidiary undertakings | - | - | 7,324,006 | 7,417,891 |
| Amounts due from related undertakings (note 22) | 86,221 | 136,161 | 99,860 | 102,956 |
| | 414,887 | 638,903 | 7,566,221 | 7,722,225 |

All amounts are due within one year

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| Trade creditors | 447,852 | 581,509 | 130,311 | 179,448 |
| Other creditors | 182,536 | 161,077 | 63,581 | 59,019 |
| Accruals and deferred income | 374,528 | 345,041 | 106,889 | 87,492 |
| Other taxation and social security | 355,480 | 354,420 | 145,624 | 124,373 |
| Corporation tax | 109,345 | 23,372 | 96,178 | 15,274 |
| Group relief payable | - | - | 60,944 | 36,053 |
| Bank loan (note 13) | 764,808 | 741,288 | 764,808 | 741,288 |
| Amounts owed to subsidiary undertakings | - | - | 1,292,967 | 1,078,252 |
| Amounts owed to related undertakings (note 22) | 602 | 113,963 | 180 | 100,124 |
| Net obligations under hire purchase contracts (note 13) | 94,647 | 97,302 | 29,216 | 31,872 |
| | 2,329,798 | 2,417,972 | 2,690,698 | 2,453,195 |

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 December 2012

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| Bank loan (note 13) | 8,627,669 | 9,416,993 | 8,627,669 | 9,416,993 |
| Net obligations under hire purchase contracts (note 13) | 32,700 | 127,351 | - | 29,217 |
| | 8,660,369 | 9,544,344 | 8,627,669 | 9,446,210 |

The loan is secured by a fixed and floating charge over the assets of the group

### 13. BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| Amounts due within one year | 764,808 | 741,288 | 764,808 | 741,288 |
| Between one and two years | 764,808 | 764,812 | 764,808 | 764,812 |
| Between two and five years | 2,294,425 | 2,294,437 | 2,294,425 | 2,294,437 |
| In five years or more | 5,568,436 | 6,357,744 | 5,568,436 | 6,357,744 |
| | 9,392,477 | 10,158,281 | 9,392,477 | 10,158,281 |

Interest is charged at rates between 0 95% - 3% above base rate, and the repayments are calculated on a straight line basis The loan is secured on the assets of the group

On 20 July 2007 a £3,000,000 modified structured collar was taken out with a cap rate of 7% and a floor rate of 4 85% effective for 15 years

On 29 July 2008 a £1,550,000 modified structured collar was taken out with a cap rate of 6 75% and a floor rate of 4 50% effective for 5 years

It is not group policy to fair value derivative financial instruments If the group had chosen to fair value the interest rate swaps held by the group this would have resulted in a liability of £730,282 (2011 £923,146) at 31 December 2012

**Net obligations under finance leases and hire purchase contracts**

| Group and company | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| Amounts due within one year | 94,647 | 97,302 | 29,216 | 31,872 |
| Between one and two years | 32,700 | 94,646 | - | 29,217 |
| Between two and five years | - | 32,705 | - | - |
| | 127,347 | 224,653 | 29,216 | 61,089 |

Obligations are secured upon the assets to which they relate

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 December 2012

### 14. PROVISIONS FOR LIABILITIES

| | Deferred tax £ |
|---|---|
| At 1 January 2012 | 398,336 |
| Profit and loss account charge (note 5) | 40,281 |
| Adjustment in respect of prior years (note 5) | 1,177 |
| At 31 December 2012 | 439,794 |

The amounts of deferred taxation provided in the financial statements are as follows

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 £ | 2011 £ | 2012 £ | 2011 £ |
| Accelerated capital allowances | 439,794 | 406,550 | 103,048 | 93,392 |
| Tax losses available | - | (8,214) | - | - |
| | 439,794 | 398,336 | 103,048 | 93,392 |

### 15. CALLED-UP SHARE CAPITAL

| | 2012 £ | 2011 £ |
|---|---|---|
| **Called-up, allotted and fully paid** | | |
| 2,031,528 ordinary shares of £1 each | 2,031,528 | 2,031,528 |

### 16. RESERVES

| Group | Called-up share capital £ | Share Premium £ | Merger Reserve £ | Profit and loss account £ |
|---|---|---|---|---|
| At 1 January 2012 | 2,031,528 | 1,217,051 | 891,430 | 3,145,785 |
| Profit for the financial year | - | - | - | 407,399 |
| At 31 December 2012 | 2,031,528 | 1,217,051 | 891,430 | 3,553,184 |

| Company | Called-up share capital £ | Share Premium £ | Merger Reserve £ | Profit and loss account £ |
|---|---|---|---|---|
| At 1 January 2012 | 2,031,528 | 1,217,051 | 891,430 | 2,366,567 |
| Profit for the financial year | - | - | - | 441,376 |
| At 31 December 2012 | 2,031,528 | 1,217,051 | 891,430 | 2,807,943 |

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 December 2012

### 17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| Issued share capital | - | 256,827 | - | 256,827 |
| Share premium | - | 643,178 | - | 643,178 |
| Profit for the financial year | 407,399 | 378,341 | 441,376 | 257,749 |
| Net addition to shareholders' funds | 407,399 | 1,278,346 | 441,376 | 1,157,754 |
| Opening shareholders' funds | 7,285,794 | 6,007,448 | 6,506,576 | 5,348,822 |
| Closing shareholders' funds | 7,693,193 | 7,285,794 | 6,947,952 | 6,506,576 |

### 18. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| Operating profit | 1,083,374 | 1,088,012 |
| Depreciation of tangible assets | 517,070 | 527,759 |
| Amortisation of goodwill | 29,146 | 29,147 |
| Profit on disposal of tangible fixed assets | (26,265) | - |
| Decrease in stocks | 2,000 | 9,394 |
| Decrease / (Increase) in debtors | 224,016 | (162,292) |
| (Decrease) / Increase in creditors | (186,800) | 204,846 |
| **Net cash inflow from operating activities** | 1,642,541 | 1,696,866 |

### 19. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

| | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| **Decrease in cash in the period** | (276,910) | (15,481) |
| Cash outflow from decrease in debt, hire purchase and lease financing | 872,647 | 72,236 |
| **Change in net debt resulting from cash flows** | 595,737 | 56,755 |
| New hire purchase and finance leases | - | (196,276) |
| Release of loan issue costs | (9,537) | (227) |
| **Movement in net debt in the year** | 586,200 | (139,748) |
| **Opening net debt** | (9,986,836) | (9,847,088) |
| **Closing net debt** | (9,400,636) | (9,986,836) |

# NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 December 2012

### 20. ANALYSIS OF NET DEBT

| | 1 January 2012 £ | Cash flows £ | Non-cash changes £ | 31 December 2012 £ |
|---|---|---|---|---|
| **Net cash:** | | | | |
| Cash at bank and in hand | 396,098 | (276,910) | - | 119,188 |
| **Debt:** | | | | |
| Hire purchase | (224,653) | 97,306 | - | (127,347) |
| Debts falling due within one year | (741,288) | 775,341 | (798,861) | (764,808) |
| Debts falling due after one year | (9,416,993) | - | 789,324 | (8,627,669) |
| | (10,382,934) | 872,647 | (9,537) | (9,519,824) |
| **Net debt** | (9,986,836) | 595,737 | (9,537) | (9,400,636) |

### 21. FINANCIAL COMMITMENTS

At 31 December 2012 the group had annual commitments under non-cancellable operating leases as follows

| | Land and buildings 2012 £ | 2011 £ |
|---|---|---|
| **Expiry date:** | | |
| In one year | - | - |
| In two to five years | - | - |
| In over five years | 152,647 | 115,172 |

### 22. RELATED PARTY TRANSACTIONS

The company has taken advantage of FRS 8 which exempts subsidiaries, 100% of whose voting rights are controlled within the group, from disclosing transactions with other entities within the group

During the year the group incurred management charges from Bannatyne Fitness Limited, a company under common control, amounting to £29,400 (2011 £29,400) The expenses paid on behalf of the group by Bannatyne Fitness Limited and recharged at cost amounted to £2,247,488 (2011 £2,141,877) The majority of this recharged amount related to payroll recharges In addition to this an amount of £836,725 (2011 £709,761) was collected on behalf of the group by Bannatyne Fitness Limited in relation to the group's share of income generated from spa breaks during the year

During the current year the group did not incur any charges from Solepeak Limited (2011 £37,847) and nothing was outstanding as at 31 December 2012 (2011 £nil)

As 31 December 2012 the following amounts were due from related undertakings, Bannatyne Fitness Limited £86,221 (2011 £86,493), Bannatyne's Health Club (Fairfield) Limited (formerly GL-14 (Fairfield) Limited) £nil (2011 £36,029)

As 31 December 2012 the following amounts were due to related undertakings, Bannatyne Charitable Trust £602 (2011 £324), Bannatyne Properties Limited £nil (2011 £100,000)

All amounts outstanding above are interest free and repayable on demand

### 23. CONTROLLING PARTY

D W Bannatyne OBE, D Sc DBA, a director of the company, and members of his close family, control the company as a result of controlling directly or indirectly 100% of the issued share capital of the company