Registered number: 09217618

# HAYTON LEISURE LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE PERIOD ENDED 2 MARCH 2019



## HAYTON LEISURE LIMITED

## COMPANY INFORMATION

| | |
|---|---|
| **DIRECTORS** | Steve Simpson |
| **COMPANY SECRETARY** | June Carruthers |
| **REGISTERED NUMBER** | 09217618 |
| **REGISTERED OFFICE** | Global House<br>5 Castle Street<br>Carlisle<br>Cumbria<br>CA3 8SY |
| **INDEPENDENT AUDITOR** | KPMG LLP<br>Quayside House<br>110 Quayside<br>Newcastle Upon Tyne<br>NE1 3DX |

HAYTON LEISURE LIMITED

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# DIRECTORS' REPORT
# FOR THE 27-WEEK PERIOD ENDED 2 MARCH 2019

The directors present their report and the financial statements for the 27-week period ended 2 March 2019.

## PRINCIPAL ACTIVITIES

The principal activity of the company is hospitality services.

## RESULTS AND DIVIDENDS

The loss for the period, after taxation, amounted to £158,000 *(2018 - loss £605,000)*.

The directors do not recommend the payment of a dividend *(2018 - £nil)*.

## DIRECTORS

The directors who served during the period and to the date of this report were:

Steve Simpson

## FUTURE DEVELOPMENTS

The company's underlying performance is expected to continue in the next financial period.

## DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board and signed on its behalf.

**June Carruthers**
Secretary
Date: 25 November 2019

Global House
5 Castle Street
Carlisle
Cumbria
CA3 8SY

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 2 MARCH 2019

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

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

## Opinion

We have audited the financial statements of Hayton Leisure Limited ("the company") for the period ended 2 March 2019 which comprise the profit and loss account and other comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 2 March 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as impairment of financial and non-financial assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

## Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

## Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover this report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial period is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

**The purpose of our audit work and to whom we owe our responsibilities**

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.



**Paul Moran (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
Quayside House
110 Quayside
Newcastle Upon Tyne
NE1 3DX

29 November 2019

## PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME FOR THE 27-WEEK PERIOD ENDED 2 MARCH 2019

| | Note | Period ended 2 March 2019 £000 | *78 weeks ended 25 August 2018 £000* |
|---|---|---|---|
| Turnover | 3 | **679** | *2,058* |
| Cost of sales | | **(201)** | *(530)* |
| **Gross profit** | | **478** | *1,528* |
| Administrative expenses | | **(680)** | *(2,299)* |
| **Loss before taxation** | 4 | **(202)** | *(771)* |
| Tax on loss | 8 | **44** | *166* |
| **Loss for the period** | | **(158)** | *(605)* |

There was no other comprehensive income for 2019 or 2018, other than the result shown above.

**HAYTON LEISURE LIMITED**
**REGISTERED NUMBER: 09217618**

## BALANCE SHEET
## AS AT 2 MARCH 2019

| | Note | | 2 March 2019 £000 | | *25 August 2018 £000* |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 9 | | - | | - |
| | | | - | | - |
| **Current assets** | | | | | |
| Stocks | 10 | **18** | | *21* | |
| Debtors | 11 | **205** | | *230* | |
| Cash at bank and in hand | | **76** | | *78* | |
| | | **299** | | *329* | |
| **Creditors:** Amounts falling due within one year | 12 | **(1,828)** | | *(1,700)* | |
| **Net current liabilities** | | | **(1,529)** | | *(1,371)* |
| **Total assets less current liabilities** | | | **(1,529)** | | *(1,371)* |
| **Net liabilities** | | | **(1,529)** | | *(1,371)* |
| **Capital and reserves** | | | | | |
| Called up share capital | 14 | | - | | - |
| Profit and loss account | | | **(1,529)** | | *(1,371)* |
| **Shareholders' deficit - equity** | | | **(1,529)** | | *(1,371)* |

The Company's financial statements have been delivered in accordance with the provisions applicable to companies' subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

**Steve Simpson**
Director

Date: 25 November 2019

## STATEMENT OF CHANGES IN EQUITY
## FOR THE PERIOD ENDED 2 MARCH 2019

| | Retained earnings | Total equity |
|---|---|---|
| | £000 | £000 |
| At 25 February 2017 | **(766)** | **(766)** |
| **Total comprehensive income** | | |
| Loss for the period | (605) | (605) |
| **At 25 August 2018** | **(1,371)** | **(1,371)** |
| **Total comprehensive income** | | |
| Loss for the period | (158) | (158) |
| **At 2 March 2019** | **(1,529)** | **(1,529)** |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 2 MARCH 2019

## 1. Accounting policies

### 1.1 Basis of preparation of financial statements

Hayton Leisure Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements are drawn up for the 27-period ended 2 March 2019. The comparative figures are for the 78-week period ended 25 August 2018.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The principal accounting policies adopted by the Company have been applied consistently throughout the period.

The company applies for the first time IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments". Refer to note 1.11 for details on the transition to these standards.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The company's ultimate parent undertaking, The Edinburgh Woollen Mill (Group) Limited, includes the company in its consolidated financial statements. The consolidated financial statements of The Edinburgh Woollen Mill (Group) Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

### 1.2 Financial reporting standard 101 - reduced disclosure exemptions

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

## 1. Accounting policies (continued)

### 1.2 Financial reporting standard 101 - reduced disclosure exemptions (continued)

As the consolidated financial statements of The Edinburgh Woollen Mill (Group) Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 'Impairment of assets' in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 'Fair Value Measurement'; and
- The disclosures required by IFRS 7 'Financial Instrument Disclosures'.

### 1.3 Going concern

The financial statements have been prepared on the going concern basis notwithstanding the net current liabilities of £1,529,000 at 2 March 2019 (2018 - £1,371,000), and a loss in the period of £158,000. The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent company, The Edinburgh Woollen Mill (Group) Limited, to meet its liabilities as they fall due for that period.

The company is dependent for its working capital on funds provided by group companies. The company's ultimate parent undertaking, The Edinburgh Woollen Mill (Group) Limited, has indicated that for at least twelve months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company to pay its liabilities as they fall due and in particular will not seek repayment of the amounts currently made available. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. In reaching this conclusion, the directors have considered the financial position of The Edinburgh Woollen Mill (Group) Limited which has substantial net assets and cash reserves at the period end. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently have prepared the financial statements on a going concern basis.

### 1.4 Turnover

Turnover comprises revenue recognised by the company in respect of hospitality services supplied during the period, exclusive of value added tax. All turnover was derived from continuing activities in the UK.

## 1. Accounting policies (continued)

### 1.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

| | |
|---|---|
| Fixtures and fittings | 13% per annum |
| Computer equipment | 25% per annum |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

### 1.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

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

## 1. Accounting policies (continued)

### 1.7 Impairments excluding stock and deferred tax assets

*Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 1.8 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

**Financial assets**

Initial recognition and measurement

Financial assets are classified at initial recognition, and subsequently measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVPL). The classification is based on two criteria:

- the Company's business model for managing the assets; and
- whether the instruments' contractual cash flows represent "Solely Payments of Principal and Interest" on the principal amount outstanding (the "SPPI criterion").

## 1. Accounting policies (continued)

### 1.8 Financial instruments – initial recognition and subsequent measurement (continued)

A summary of the Company's financial assets is as follows:

**Financial assets Classification under IFRS 9**

| | |
|---|---|
| *Derivatives not designated as hedging instruments* | *Fair value through profit or loss* |
| Customer and other receivables | Amortised cost – hold to collect business model and SPPI met |
| Cash and short term deposits | Amortised cost |

Under IFRS 9 the Company initially measures a financial asset at its fair value plus directly attributable transaction costs, unless the asset is classified as FVPL. Transactional costs of financial assets carried at FVPL are expensed in the Income Statement.

**Investments**

Investments in subsidiary undertakings are held at cost less provision for impairment where the directors consider that an impairment in the value has occurred.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and cash deposits.

**Subsequent measurement**

A summary of the subsequent measurement of financial assets is set out below.

Financial assets at FVPL - Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - Subsequently measured at amortised cost using the effective interest rate (EIR) method. The amortised cost is reduced by impairment losses. Interest income, impairment or gain or loss on derecognition are recognised in profit or loss.

**Derecognition**

A financial asset is derecognised primarily when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third-party under a "pass-through" arrangement; and either a) the Company has transferred substantially all the risks and rewards of the asset, or b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**Impairment – financial assets**

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. The most significant financial assets of the Company are its trade receivables, which are referred to as "customer and other receivables". ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

## 1. Accounting policies (continued)

### 1.8 Financial instruments – initial recognition and subsequent measurement (continued)

**Financial liabilities and equity**

Initial recognition and measurement

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

**Financial liabilities Classification under IFRS 9**

| | |
|---|---|
| *Derivatives not designated as hedging instruments* | *Fair value through profit or loss* |
| Interest-bearing loans and borrowings: | |
| Bank loans and overdrafts | Amortised cost |
| Trade and other payables | Amortised cost |

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

**Intra-group financial instruments**

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

**Subsequent measurement**

A summary of the subsequent measurement of financial liabilities is set out below.

Financial liabilities at FVPL - Subsequently measured at fair value. Gains and losses are recognised in the Income Statement.

Loans and borrowings - Subsequently measured at amortised cost using the EIR method. The EIR amortisation is included in finance costs in the Income Statement.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Income Statement.

1. *Accounting policies (continued)*

**1.8 Financial instruments – initial recognition and subsequent measurement (continued)**

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention and ability to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**1.9 Customer and Other Receivables**

Customer receivables represent outstanding customer balances less an allowance for impairment. Customer receivables are recognised when the Company becomes party to the contract which happens when the services have been delivered. They are derecognised when the rights to receive the cash flows have expired e.g. due to the settlement of the outstanding amount or where the Company has transferred substantially all the risks and rewards associated with that contract. Other trade receivables are stated at invoice value less an allowance for impairment. Customer and other receivables are subsequently measured at amortised cost as the business model is to collect contractual cash flows and the debt meets the Solely Payment of Principal and Interest (SPPI) criterion.

In accordance with the accounting policy for impairment of financial assets, the company recognises an allowance for Expected Credit Losses (ECL's) for customer and other receivables. IFRS 9 requires an impairment provision to be recognised on origination of a customer advance, based on its ECL.

**1.10 Current and deferred taxation**

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

## 1. Accounting policies (continued)

### 1.11 Adoption of new accounting standards, interpretations and amendments

For the financial period ended 2 March 2019 the Group has adopted IFRS 15 "*Revenue from contracts with customers*" and IFRS 9 "*Financial instruments*" for the first time. The nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not effective.

**IFRS 15 *"Revenue from contracts with customers"***

IFRS 15 supersedes IAS 11 "*Construction contracts*", IAS 18 "*Revenue*" and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company has adopted IFRS 15 using the fully retrospective method of adoption, thereby restating comparatives, and did not apply any optional practical expedients. The key considerations along with the impact of adopting IFRS 15 are described below. There was no impact on profit after tax or retained earnings on the adoption of IFRS 15.

**Sale of services**

The Company's contracts with customers for the provision of services generally include one performance obligation. The Company has concluded that revenue from the provision of hospitality services should be recognised at the point in time when the performance obligation is satisfied and the service is complete. This does not represent a material change to the Company's accounting policy and therefore, the adoption of IFRS 15 does not have an impact on the timing of revenue recognition.

**IFRS 9 *"Financial instruments"***

IFRS 9 replaces IAS 39 "*Financial instruments: recognition and measurement*" for annual periods beginning on or after 1 January 2018, which covers the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Company applied IFRS 9 retrospectively. The impact of the application of IFRS 9 was not material to the net assets or profit for the period or prior period. Prior period balances have not been restated for IFRS 9.

## 2. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates.

**Impairment of assets**

Financial and non-financial assets are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value. Recoverable amount is based on the higher of the value in use and fair value less costs to sell. Value in use is calculated from expected future cash flows using suitable discount rates and includes management assumptions and estimates of future performance.

## 3. Turnover

Turnover arose from hospitality services of £679,000 (2018: £2,058,000) in the UK. All turnover is recognised at the point in time that the service is delivered.

## 4. Loss before tax

The loss before tax is stated after charging:

| | Period ended 2 March 2019 £000 | *Period ended 25 August 2018 £000* |
|---|---|---|
| Impairment of tangible fixed assets (note 9) | - | *295* |
| Depreciation of tangible fixed assets | - | *103* |

## 5. Auditor's remuneration

The company paid the following amounts to its auditor in respect of the audit of the financial statements and for other services provided to the Company:

| | Period ended 2 March 2019 £000 | *Period ended 25 August 2018 £000* |
|---|---|---|
| Fees for the audit of the Company | 2 | *2* |

The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the ultimate parent company.

## 6. Employees

Staff costs were as follows:

| | Period ended 2 March 2019 £000 | *Period ended 25 August 2018 £000* |
|---|---|---|
| Wages and salaries | 368 | *1,117* |
| Social security costs | 25 | *70* |
| | 393 | *1,187* |

The average monthly number of employees, including the directors, during the period was as follows:

| | Period ended 2 March 2019 No. | *Period ended 25 August 2018 No.* |
|---|---|---|
| Hotel staff | 44 | *51* |

## 7. Directors' remuneration

No directors' emoluments were incurred in either period. The directors did not provide any material qualifying services to the Company. All directors who served during the period were employed by The Edinburgh Woollen Mill Limited and were remunerated through that Company.

Retirement benefits are accruing to one director (2018 - one) under a group defined contribution pension scheme.

## 8. Taxation

| | Period ended 2 March 2019 £000 | *Period ended 25 August 2018 £000* |
|---|---|---|
| **Corporation tax** | | |
| Group relief on loss for the period | **(49)** | *(106)* |
| Adjustments in respect of previous periods | **-** | *-* |
| **Total current tax** | **(49)** | *(106)* |
| **Deferred tax** | | |
| Origination and reversal of timing differences | **4** | *(56)* |
| Adjustments in respect of previous periods | **1** | *(4)* |
| **Total deferred tax** | **5** | *(60)* |
| **Taxation on loss** | **(44)** | *(166)* |

## 8. Taxation (continued)

### Factors affecting the tax credit for the period

The tax credit for the period is higher than *(2018 – higher than)* the standard rate of corporation tax in the UK of 19% *(2018 – 19.06%)*. The differences are explained below:

| | **Period ended 2 March 2019 £000** | *Period ended 25 August 2018 £000* |
|---|---|---|
| Loss for the period | **(158)** | *(605)* |
| Total tax credit | **(44)** | *(166)* |
| **Loss before tax** | **(202)** | *(771)* |
| Loss multiplied by standard rate of corporation tax in the UK of 19% *(2018 – 19.06%)* | **(38)** | *(147)* |
| **Effects of:** | | |
| Expenses not deductible for tax purposes | **-** | *2* |
| Adjustments in respect of previous periods | **-** | *(4)* |
| Transfer pricing adjustments | **(6)** | *(17)* |
| **Total tax credit for the period** | **(44)** | *(166)* |

### Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax at the balance sheet date has been calculated based on these rates.

## 9. Tangible fixed assets

| | Fixtures and fittings £000 |
|---|---|
| **Cost** | |
| **At 26 August 2018** | **523** |
| Additions | - |
| **At 2 March 2019** | **523** |
| **Depreciation** | |
| **At 26 August 2018** | **523** |
| Charge for the period | - |
| **At 2 March 2019** | **523** |
| Net book value | |
| **At 2 March 2019** | **-** |
| *At 25 August 2018* | *-* |

## 10. Stocks

| | 2 March 2019 £000 | *25 August 2018 £000* |
|---|---|---|
| Raw materials and consumables | **18** | *21* |
| Raw materials and consumables recognised in cost of sales for the period | **201** | *530* |

## 11. Debtors

| | 2 March 2019 £000 | *25 August 2018 £000* |
|---|---|---|
| **Due within one year** | | |
| Amounts owed by group undertakings | **4** | *2* |
| Deferred tax (note 13) | **43** | *48* |
| Group relief receivable | **146** | *98* |
| Other debtors, prepayments and accrued income | **12** | *82* |
| | **205** | *230* |

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## 12. Creditors: Amounts falling due within one year

| | 2 March 2019 £000 | 25 August 2018 £000 |
|---|---|---|
| Trade creditors | 44 | 63 |
| Amounts owed to group undertakings | 1,659 | 1,401 |
| Taxation and social security | 54 | 73 |
| Accruals and deferred income | 71 | 163 |
| | 1,828 | 1,700 |

## 13. Deferred taxation

| | 2 March 2019 £000 | 25 August 2018 £000 |
|---|---|---|
| At beginning of the period | (48) | 12 |
| Charges/(Credited) to the profit or loss | 5 | (60) |
| **At end of the period** | (43) | (48) |

The provision for deferred taxation is made up as follows:

| | 2 March 2019 £000 | 25 August 2018 £000 |
|---|---|---|
| Accelerated capital allowances | (43) | (48) |

## 14. Share capital

| | 2 March 2019 £ | 25 August 2018 £ |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 1 Ordinary share of £1 each | 1 | 1 |

## 15. Controlling party

The company's ultimate parent company is The Edinburgh Woollen Mill (Group) Limited which is incorporated in Scotland and prepares group financial statements in which the company is consolidated. The registered office address of the ultimate parent company is Waverley Mill, Langholm, Dumfriesshire, DG13 0EB.

The company's immediate parent company is Equorium Property Company Limited having a registered office at Waverley Mill, Langholm, Dumfriesshire, DG13 0EB.

By virtue of his shareholding in the ultimate parent company P. Day is the ultimate controlling party.