

Armagh City Hotel Limited

Annual report

For the year ended 31 July 2018



Armagh City Hotel Limited

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Armagh City Hotel Limited

Company information

Directors	T E Fisher P K McAnallen B McCormack F D C Mooney
Company secretary	F D C Mooney
Registered number	NI030708
Registered office	Friary Road Armagh Co Armagh BT60 4FR
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Waterfront Plaza 8 Laganbank Road Belfast BT1 3LR
Bankers	First Trust Bank 18 Scotch Street Dungannon Co Tyrone BT70 1AR
Solicitors	Carson McDowell LLP Murray House Murray Street Belfast Co Antrim BT1 6DN

Armagh City Hotel Limited

Strategic report For the year ended 31 July 2018

Introduction

The directors present the Strategic report on the company for the year ended 31 July 2018.

Business review and future developments

The directors are pleased with the general performance of the hotel during the year and to see that the increased turnover and Earnings before interest, tax, depreciation and amortisation ("EBITDA") generated by the business continues to improve on previous years.

During the year, the company reinvested in the gym and conference facilities in order to maximise business growth in these areas over the next five years. The company also plans a significant capital expenditure programme to be undertaken in 2019 in the hotel bedrooms. It also intends to develop wedding opportunities for the business over the next 12 months through a softening of the conference areas in conjunction with the proposed room upgrade. This will complete the majority of refurbishment works for the hotel for the next five years.

The directors are committed to long term creation of shareholder value by increasing the company's market share through organic growth and the investments noted above.

The performance of the hotel for the year ahead remains positive and the early results are satisfactory. The directors closely monitor current performance.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to competitor activity, market trends and forecasts and customer behaviour. These risks are addressed by the board carrying out regular strategic reviews including assessments of competitor activity and the board's active review of competitor prices both provides protection and maximises opportunities. These risks are also addressed through strong customer service as well as investment in its people and facilities.

Financial key performance indicators

The company's key performance indicators are as follows:

	2018	2017	2016
Turnover	£5,340k	£4,932k	£4,425k
Increase in sales	8.3%	11.5%	2.2%
Gross profit margin	38.5%	38.3%	38.2%
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	£726k	£601k	£493k
EBITDA as a % of turnover	13.60%	12.18%	11.14%

Environment

The company recognises its corporate responsibility to carry out its operations whilst minimising environmental impacts. The directors' continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible.

Health and safety

The company is committed to achieving the highest practicable standards in health and safety management and strives to make all areas of the hotel safe environments for employees and customers alike.

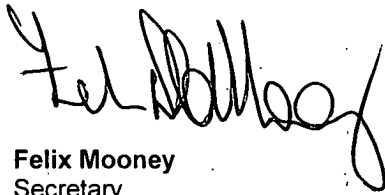
Armagh City Hotel Limited

**Strategic report (continued)
For the year ended 31 July 2018**

Human resources

Management of the company recognise that its most important resource is its people; their knowledge and experience is crucial to meeting customer requirements. Retention of key staff is critical and the company has invested increasingly in employment training and development and has introduced appropriate incentive and career progression arrangements.

This report was approved by the board on 28 February 2019 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'Felix Mooney', is written over the printed name and title.

Felix Mooney
Secretary

Armagh City Hotel Limited

Directors' report For the year ended 31 July 2018

The directors present their report and the audited financial statements of the company for the year ended 31 July 2018.

Principal activity

The company's principal activity during the year was that of the operation of a hotel complex.

Results and dividends

The profit for the financial year amounted to £369,517 (2017: £308,266).

Interim dividends of £100,000 were paid during the year (2017: £Nil). The directors do not recommend the payment of a final dividend (2017: £Nil).

Future developments

The section on future developments which is detailed in the Strategic report is included in this report by cross reference.

Directors

The directors of the company who served during the year and up to the date of signing the financial statements were:

T E Fisher
P K McAnallen
B McCormack
F D C Mooney

Financial risk management

The company's operations expose it to a variety of financial risks that include liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a subcommittee of the board. The policies set by the board of directors are implemented by the company's finance department.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

Directors' report (continued)
For the year ended 31 July 2018

Statement of directors' responsibilities in respect of the financial statements (continued)

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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 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.

Statement of disclosure of information to auditors

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 28 February 2019 and signed on its behalf.


Kieran McAnallen
Director

Independent auditors' report to the members of Armagh City Hotel Limited

Report on the audit of the financial statements

Opinion

In our opinion, Armagh City Hotel Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of financial position as at 31 July 2018; the Statement of comprehensive income, the Statement of cash flows, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications in the company's trade, customers, suppliers and the wider company.

Independent auditors' report to the members of Armagh City Hotel Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 July 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements as set out on pages 4 and 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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 an auditors' report 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Armagh City Hotel Limited

Independent auditors' report to the members of Armagh City Hotel Limited (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.


Martin Cowie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast

28 February 2019

Armagh City Hotel Limited

**Statement of comprehensive income
For the year ended 31 July 2018**

	Note	2018 £	2017 £
Turnover	5	5,339,734	4,932,209
Cost of sales		(3,282,580)	(3,041,386)
Gross profit		2,057,154	1,890,823
Administrative expenses		(1,576,827)	(1,482,141)
Operating profit	6	480,327	408,682
Interest payable and similar expenses	8	(2,008)	(5,306)
Profit before taxation		478,319	403,376
Tax on profit	9	(108,802)	(95,110)
Profit for the financial year		369,517	308,266

There were no recognised gains and losses for 2018 or 2017 other than those included in the Statement of comprehensive income.

There was no other comprehensive income for 2018 (2017: £Nil).

The notes on pages 13 to 24 form part of these financial statements.

Armagh City Hotel Limited
Registered number: NI030708

Statement of financial position
As at 31 July 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	11		6,231,431		6,192,747
			<u>6,231,431</u>		<u>6,192,747</u>
Current assets					
Stocks	12	109,630		107,151	
Debtors	13	187,829		213,422	
Cash at bank and in hand	14	337,001		243,101	
		<u>634,460</u>		<u>563,674</u>	
Creditors: amounts falling due within one year	15	(808,409)		(983,219)	
Net current liabilities			<u>(173,949)</u>		<u>(419,545)</u>
Total assets less current liabilities			<u>6,057,482</u>		<u>5,773,202</u>
Provisions for liabilities					
Deferred taxation	16		(76,639)		(61,876)
Net assets			<u>5,980,843</u>		<u>5,711,326</u>
Capital and reserves					
Called up share capital	17		1,539,700		1,539,700
Share premium account			1,013,302		1,013,302
Revaluation reserve			727,010		727,010
Retained earnings			2,700,831		2,431,314
Total shareholders' funds			<u>5,980,843</u>		<u>5,711,326</u>

The financial statements on pages 9 to 24 were approved and authorised for issue by the board and were signed on its behalf by:


Kieran McAnallen
 Director

Date: 28 February 2019

The notes on pages 13 to 24 form part of these financial statements.

Armagh City Hotel Limited

**Statement of changes in equity
For the year ended 31 July 2018**

	Called up share capital £	Share premium account £	Revaluation reserve £	Retained earnings £	Total shareholders' funds £
At 1 August 2016	1,539,700	1,013,302	727,010	2,123,048	5,403,060
Comprehensive income for the financial year					
Profit for the financial year	-	-	-	308,266	308,266
Total comprehensive income for the financial year	-	-	-	308,266	308,266
At 1 August 2017	1,539,700	1,013,302	727,010	2,431,314	5,711,326
Comprehensive income for the financial year					
Profit for the financial year	-	-	-	369,517	369,517
Total comprehensive income for the financial year	-	-	-	369,517	369,517
Dividends paid (note 10)	-	-	-	(100,000)	(100,000)
Total transactions with owners, recognised directly in equity	-	-	-	(100,000)	(100,000)
At 31 July 2018	1,539,700	1,013,302	727,010	2,700,831	5,980,843

The notes on pages 13 to 24 form part of these financial statements.

Armagh City Hotel Limited

**Statement of cash flows
For the year ended 31 July 2018**

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	369,517	308,266
Adjustments for:		
Depreciation of tangible assets	245,893	192,192
Interest paid	2,008	5,306
Taxation charge	108,802	95,110
Movement in stocks	(2,479)	(4,601)
Movement in debtors	25,593	34,340
Movement in creditors	(179,975)	(113,467)
Corporation tax paid	(88,874)	(71,580)
Net cash generated from operating activities	<u>480,485</u>	<u>445,566</u>
Cash flows from investing activities		
Purchase of tangible assets	(284,577)	(122,957)
Net cash used in investing activities	<u>(284,577)</u>	<u>(122,957)</u>
Cash flows from financing activities		
Repayment of loans	-	(194,568)
Repayment of other loans	-	(4,704)
Dividends paid	(100,000)	-
Interest paid	(2,008)	(5,306)
Net cash used in financing activities	<u>(102,008)</u>	<u>(204,578)</u>
Net increase in cash and cash equivalents	<u>93,900</u>	<u>118,031</u>
Cash and cash equivalents at beginning of year	243,101	125,070
Cash and cash equivalents at the end of year	<u><u>337,001</u></u>	<u><u>243,101</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u><u>337,001</u></u>	<u><u>243,101</u></u>

The notes on pages 13 to 24 form part of these financial statements.

Armagh City Hotel Limited

Notes to the financial statements For the year ended 31 July 2018

1. General information

The company's principal activity during the year was that of the operation of a hotel complex.

The company is a private company, limited by shares, incorporated and domiciled in Northern Ireland within the United Kingdom. The address of the registered office is Friary Road, Armagh, Co. Armagh, BT60 4FR.

2. Statement of compliance

The individual financial statements of Armagh City Hotel Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

3.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of land and buildings and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 4).

The following principal accounting policies have been applied consistently throughout the year:

3.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Notes to the financial statements
For the year ended 31 July 2018**

3. Accounting policies (continued)

3.2 Revenue (continued)

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

3.3 Tangible assets

Tangible 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 the Statement of comprehensive income during the period in which they are incurred.

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:

Freehold property	-	2%
Plant and machinery	-	12.5%
Motor vehicles	-	25%
Fixtures and fittings	-	25%
Computer equipment	-	25%
Other fixed assets	-	20-25%

The cost of land is not depreciated.

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the Statement of comprehensive income.

**Notes to the financial statements
For the year ended 31 July 2018**

3. Accounting policies (continued)

3.4 Revaluation of tangible assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Statement of financial position date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Statement of comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in Statement of comprehensive income.

3.5 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price. The impairment loss is recognised immediately in Statement of comprehensive income.

3.6 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans from related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Notes to the financial statements
For the year ended 31 July 2018**

3. Accounting policies (continued)

3.7 Creditors

Trade creditors are measured at invoice price, unless payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate. In this case the arrangement constitutes a financing transaction, and the financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

3.8 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

3.9 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

3.10 Dividends

Dividends are recognised when they become legally payable. Interim dividends are recognised when paid. Final dividends are recognised when approved by the shareholders at an annual general meeting.

3.11 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income statement in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

**Notes to the financial statements
For the year ended 31 July 2018**

3. Accounting policies (continued)

3.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge 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 reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.

4. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations on future events that are believed to be under the circumstances.

(a) Critical judgements in applying the company's accounting policies.

There are no critical judgements in applying the company's accounting policies.

(b) Critical accounting estimates and assumptions.

There are no critical accounting estimates and assumptions.

5. Turnover

Turnover relates to the company's main activity which is carried out in the United Kingdom. No analysis of turnover is presented as the directors consider such disclosure to be seriously prejudicial to the company's interest.

Armagh City Hotel Limited

Notes to the financial statements For the year ended 31 July 2018

6. Operating profit

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

	2018 £	2017 £
Staff costs (note 7)	2,103,563	1,884,396
Inventory recognised as an expense	1,151,944	1,114,858
Depreciation of tangible assets	245,893	192,192
Foreign exchange gain	(10)	(237)
Defined contribution pension cost	12,506	8,103
Fees payable to the company's auditor for the audit of the company	10,900	11,300
	<u>2,103,563</u>	<u>1,884,396</u>

7. Employees

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	1,989,059	1,800,087
Social security costs	101,998	76,206
Other pension cost	12,506	8,103
	<u>2,103,563</u>	<u>1,884,396</u>

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

	2018 Number	2017 Number
Administrative	6	7
Selling	180	163
	<u>186</u>	<u>170</u>

Key management compensation

	2018 £	2017 £
Salary and benefits	46,428	52,625
	<u>46,428</u>	<u>52,625</u>

Directors

The directors received no remuneration during the year (2017: £Nil).

Armagh City Hotel Limited

Notes to the financial statements For the year ended 31 July 2018

8. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	-	3,602
Other loan interest payable	2,008	1,704
	2,008	5,306

9. Tax on profit

	2018 £	2017 £
Corporation tax		
Current tax on profit for the year	94,038	88,739
Total current tax	94,038	88,739
Deferred tax		
Origination and reversal of timing differences	16,545	10,937
Effect of changes in tax rates	(39)	(4,566)
Adjustment in respect of previous periods	(1,742)	-
Total deferred tax	14,764	6,371
Tax on profit	108,802	95,110

Armagh City Hotel Limited

Notes to the financial statements For the year ended 31 July 2018

9. Tax on profit (continued).

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19.00% (2017: 19.67%). The differences are explained below:

	2018 £	2017 £
Profit before taxation	<u>478,319</u>	<u>403,376</u>
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.67%)	90,881	79,327
Effects of:		
Expenses not deductible for tax purposes	19,702	20,349
Adjustments in respect of previous periods	(1,742)	-
Tax rate changes	(39)	(4,566)
Total tax charge for the financial year	<u>108,802</u>	<u>95,110</u>

Factors that may affect future tax charges

Further reductions to the UK Corporation Tax rate were substantively enacted as part of the Finance Act 2016. These reduce the main rate of tax to 19% from 1 April 2017 and to 17% from 1 April 2020. The deferred tax assets and liabilities reflect these rates.

10. Dividends

	2018 £	2017 £
Dividends paid £0.06 (2017: £nil) per ordinary share	<u>100,000</u>	<u>-</u>

Armagh City Hotel Limited

**Notes to the financial statements
For the year ended 31 July 2018**

11. Tangible assets

	Freehold land and property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Other fixed assets £	Total £
Cost						
At 1 August 2017	6,000,000	3,364,265	1,660,494	570,670	357,934	11,953,363
Additions	-	62,794	83,101	78,876	59,806	284,577
Disposals	-	-	(53,500)	(34,142)	-	(87,642)
At 31 July 2018	<u>6,000,000</u>	<u>3,427,059</u>	<u>1,690,095</u>	<u>615,404</u>	<u>417,740</u>	<u>12,150,298</u>
Accumulated depreciation						
At 1 August 2017	107,000	3,214,243	1,567,477	547,161	324,735	5,760,616
Charge for the year	107,000	41,595	53,266	23,571	20,461	245,893
Disposals	-	-	(53,500)	(34,142)	-	(87,642)
At 31 July 2018	<u>214,000</u>	<u>3,255,838</u>	<u>1,567,243</u>	<u>536,590</u>	<u>345,196</u>	<u>5,918,867</u>
Net book value						
At 31 July 2018	<u>5,786,000</u>	<u>171,221</u>	<u>122,852</u>	<u>78,814</u>	<u>72,544</u>	<u>6,231,431</u>
At 31 July 2017	<u>5,893,000</u>	<u>150,022</u>	<u>93,017</u>	<u>23,509</u>	<u>33,199</u>	<u>6,192,747</u>

The company's freehold land and property were revalued at 12 April 2017 on the basis of open market value for existing use by Independent Chartered Surveyors. The directors do not consider there is any material change in the value at 31 July 2018. The valuations were undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors in the United Kingdom by CBRE.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2018 £	2017 £
Cost	7,258,607	7,258,607
Accumulated depreciation	(2,257,046)	(2,120,170)
	<u>5,001,561</u>	<u>5,138,437</u>

Armagh City Hotel Limited

Notes to the financial statements For the year ended 31 July 2018

12. Stocks

	2018 £	2017 £
Consumables	67,600	61,101
Goods for resale	42,030	46,050
	<u>109,630</u>	<u>107,151</u>

13. Debtors

	2018 £	2017 £
Trade debtors	67,013	80,636
Other debtors (note 18)	11,575	43,684
Prepayments and accrued income	109,241	89,102
	<u>187,829</u>	<u>213,422</u>

14. Cash at bank and in hand

	2018 £	2017 £
Cash at bank and in hand	337,001	243,101

15. Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	225,443	208,254
Amounts owed to related party undertakings (note 18)	29,937	160,000
Other tax and social security	202,965	199,510
Corporation tax	93,903	88,739
Other creditors	17,608	58,850
Accruals and deferred income	238,553	267,866
	<u>808,409</u>	<u>983,219</u>

Amounts owed to related party undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

Armagh City Hotel Limited

Notes to the financial statements For the year ended 31 July 2018

16. Deferred taxation

	2018 £	2017 £
At beginning of year	61,875	55,505
Charged to Statement of comprehensive income	14,764	6,371
At end of year	76,639	61,876

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	76,639	61,876

17. Called up share capital

	2018 £	2017 £
Allotted and fully paid		
1,154,775 (2017: 1,154,775) Ordinary A shares of £1.00 each	1,154,775	1,154,775
384,925 (2017: 384,925) Ordinary B shares of £1.00 each	384,925	384,925
	1,539,700	1,539,700

18. Related party transactions

The company has identified the following transactions which are disclosable under the terms of FRS 102 "Related Party Disclosures".

(a) Dunadry Development Company Limited, a shareholder in Armagh City Hotel Limited, traded with the company during the year under the same terms as those available to other customers in the ordinary course of business. During the year Dunadry Development Company Limited raised a management charge of £151,000 (2017: £151,000) to Armagh City Hotel Limited.

b) Friary Road Enterprises Limited, of which Kieran McAnallen, Ernest Fisher, Brian McCormack and Felix Mooney are directors, traded with Armagh City Hotel Limited under the same terms as those available to other customers in the ordinary course of business.

The amount due from Friary Road Enterprises Limited at 31 July 2018 was £Nil (2017: £1,328). This is disclosed with other debtors (note 13) to the financial statements.

Armagh City Hotel Limited received loans of £575,000 from Friary Road Enterprises Limited during 2005 and 2006, which are unsecured and there are no agreed repayment terms. At 31 July 2018, the amount owed by Armagh City Hotel Limited was £29,937 (2017: £160,000).

Armagh City Hotel Limited

Notes to the financial statements For the year ended 31 July 2018

18. Related party transactions (continued)

(c) Directors of the company, Kieran McAnallen, Brian McCormack and Ernest Fisher and shareholder, Dunadry Development Company Limited, have provided letters of undertaking to First Trust Bank.

(d) Wellington Park Hotel Limited and Dunadry Inn Limited, subsidiaries of Dunadry Development Company Limited, traded with Armagh City Hotel Limited under the same terms as those available to other customers in the ordinary course of business.

(e) At 31 July 2018 there was a balance due from the directors of the company, which is disclosed in other debtors (note 13).

The movement on the balances have been summarised below:

	Balance at 1 August 2017 £	Withdrawals £	Balance at 31 July 2018 £
Mr B McCormick	2,535	25	2,560
Mr K McAnallen	2,511	1,231	3,742
	<u>5,046</u>	<u>1,256</u>	<u>6,302</u>

19. Ultimate controlling party

Each of the shareholders has an equal shareholding in the share capital of the company and there is deemed to be no ultimate controlling party.