

Armagh City Hotel Limited

Annual Report and Financial Statements
for the Year Ended 31 July 2022

Armagh City Hotel Limited

Contents

Company Information	<u>1</u>
Strategic Report	<u>2</u>
Directors' Report	<u>3</u> to <u>4</u>
Statement of Directors' Responsibilities	<u>5</u>
Independent Auditor's Report	<u>6</u> to <u>8</u>
Profit and Loss Account	<u>9</u>
Statement of Comprehensive Income	<u>10</u>
Balance Sheet	<u>11</u>
Statement of Changes in Equity	<u>12</u>
Statement of Cash Flows	<u>13</u>
Notes to the Financial Statements	<u>14</u> to <u>29</u>

Armagh City Hotel Limited

Company Information

Directors	Mr T E Fisher Mr K McAnallen Mr B McCormack Mr F Mooney
Company secretary	Mr F Mooney
Registered office	Armagh City Hotel Friary Road Armagh Co Armagh BT60 4FR
Solicitors	Carson McDowell LLP Murray House Murray Street Belfast BT1 6DN
Bankers	Bank of Ireland University Road University Rd Belfast BT7 1NH
Auditors	McKeague Morgan & Company 27 College Gardens Belfast BT9 6BS

Armagh City Hotel Limited

Strategic Report for the Year Ended 31 July 2022

The directors present their strategic report for the year ended 31 July 2022.

Principal activity

The principal activity of the company is that of the operation of a hotel complex.

Fair review of the business

The financial statements for the year ended 31 July 2022 covered a period where the COVID-19 pandemic had a negative and disruptive impact on trading. From February 2022, the company's turnover continues to return to normal levels with a return to profitability.

Trading results showing an increase in turnover of £3.4m to £5.6m and a trading profit of £199k before tax. There has been an improvement in EBITDA of £84k. Total government assistance amounted to £18k (2021 : £1,099k).

The company's key financial and other performance indicators during the year were as follows:

Financial KPIs	Unit	2022	2021
Turnover	£000s	5,603	2,209
Gross profit	%	35	9
EBITDA	£000s	437	353

Future developments

During the current year, the company has made significant investment in upgrading its bedrooms and ensembles. Significant repairs were also carried out in other areas of the hotel creating a more luxurious space for our guests to relax and unwind. The company will continue with its phased upgrade of its bedrooms and facilities.

The company is committed to reducing its reliance on fossil fuels and has entered into a contract to install Solar Photovoltaics creating renewable energy and reducing the carbon output of the hotel.

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 speed of the societal recovery from the COVID-19 pandemic, the impact of the cost of living crisis, 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, which both provides protection and maximises opportunities. These risks are also addressed through strong customer service as well as investment in its people and facilities.

Approved by the Board on 2 March 2023 and signed on its behalf by:

.....
Mr K McAnallen
Director

.....
Mr F Mooney
Company secretary and director

Armagh City Hotel Limited

Directors' Report for the Year Ended 31 July 2022

The directors present their report and the financial statements for the year ended 31 July 2022.

Directors of the company

The directors who held office during the year were as follows:

Mr T E Fisher

Mr K McAnallen

Mr B McCormack

Mr F Mooney - Company secretary and director

Financial instruments

Objectives and policies

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.

Price risk, credit risk, liquidity risk and cash flow risk

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made.

Liquidity and cash flow risk

The company's policy is to ensure that sufficient resources are available either from cash balances, cash flows and near cash liquid investments to ensure all obligations can be met when they fall due.

Foreign exchange risk

The operations of the company are wholly in the United Kingdom, and as a result its exposure to foreign exchange risk is negligible.

Environmental matters

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.

Armagh City Hotel Limited

Directors' Report for the Year Ended 31 July 2022

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.

Human resources

The management of the company recognises 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.

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the company will continue to be able to meet its liabilities as they fall due for the foreseeable future. The directors continually review the trading and financial position of the company and assess its future prospects, liquidity and borrowing position.

The level of uncertainty in the hospitality industry has decreased significantly as Covid related restrictions have ceased and normality returns to the industry. The company is lowly geared and has adequate facilities to enable it to trade and continue as a going concern. On this basis the directors believe it is appropriate to prepare the financial statements on the going concern basis.

Disclosure of information to the auditors

Each director has taken 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. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 2 March 2023 and signed on its behalf by:

.....
Mr K McAnallen
Director

.....
Mr F Mooney
Company secretary and director

Armagh City Hotel Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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.

Armagh City Hotel Limited

Independent Auditor's Report to the Members of Armagh City Hotel Limited

Opinion

We have audited the financial statements of Armagh City Hotel Limited (the 'company') for the year ended 31 July 2022, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2022 and of its 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Armagh City Hotel Limited

Independent Auditor's Report to the Members of Armagh City Hotel Limited

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 5], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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.

Auditor's 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 auditor's 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.

Armagh City Hotel Limited

Independent Auditor's Report to the Members of Armagh City Hotel Limited

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

On the basis of our understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, we considered the risk of non-compliance and to what extent it might have a material effect on the financial statements. The principal laws and regulations that we determined as being the most significant are the Companies Act 2006, FRS 102 - "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the relevant UK tax compliance regulations.

- We made enquiries of management to understand how the company is complying with its legal and regulatory obligations.
- We read the board minutes to determine whether any fraud or non-compliance had been identified by the company.
- We evaluated the susceptibility of the financial statements to material misstatement and discussed with management the areas where we believed risk of fraud may be higher and what procedures are in place to prevent or detect fraud or non-compliance.
- We reviewed manual journal entries for any unusual postings.
- We performed tests in areas where significant accounting estimates and judgements are made to assess their reasonableness.

There are inherent limitations in the audit procedures described above. The further removed any non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Furthermore, the risk of material misstatement due to fraud is higher than the risk of material misstatement due to error, as fraud may involve deliberate concealment.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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.

.....
Stephen Morgan (Senior Statutory Auditor)
For and on behalf of McKeague Morgan & Company, Statutory Auditor
27 College Gardens
Belfast
BT9 6BS

2 March 2023

Armagh City Hotel Limited

Profit and Loss Account for the Year Ended 31 July 2022

	Note	2022 £	2021 £
Turnover	<u>4</u>	5,603,206	2,209,473
Cost of sales		<u>(3,644,385)</u>	<u>(2,010,971)</u>
Gross profit		1,958,821	198,502
Administrative expenses		(1,756,235)	(1,280,467)
Other operating income	<u>5</u>	<u>17,934</u>	<u>1,098,961</u>
Operating profit	<u>8</u>	220,520	16,996
Interest payable and similar expenses	<u>9</u>	<u>(21,909)</u>	<u>(22,967)</u>
Profit/(loss) before tax		198,611	(5,971)
Taxation	<u>12</u>	<u>(31,233)</u>	<u>(21,018)</u>
Profit/(loss) for the financial year		<u><u>167,378</u></u>	<u><u>(26,989)</u></u>

The above results were derived from continuing operations.

Armagh City Hotel Limited

Statement of Comprehensive Income for the Year Ended 31 July 2022

	2022 £	2021 £
Profit/(loss) for the year	167,378	(26,989)
Surplus on property, plant and equipment revaluation	<u>785,000</u>	<u>-</u>
Total comprehensive income for the year	<u><u>952,378</u></u>	<u><u>(26,989)</u></u>

Armagh City Hotel Limited

(Registration number: NI030708)

Balance Sheet as at 31 July 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	<u>13</u>	6,828,444	6,047,022
Current assets			
Stocks	<u>14</u>	152,585	135,811
Debtors	<u>15</u>	263,483	117,983
Cash at bank and in hand		870,858	684,440
		<u>1,286,926</u>	<u>938,234</u>
Creditors: Amounts falling due within one year	<u>17</u>	<u>(1,104,926)</u>	<u>(806,533)</u>
Net current assets		<u>182,000</u>	<u>131,701</u>
Total assets less current liabilities		7,010,444	6,178,723
Creditors: Amounts falling due after more than one year	<u>17</u>	<u>(393,939)</u>	<u>(524,596)</u>
Provisions for liabilities	<u>18</u>	<u>(96,850)</u>	<u>(86,850)</u>
Net assets		<u>6,519,655</u>	<u>5,567,277</u>
Capital and reserves			
Called up share capital	<u>20</u>	1,539,700	1,539,700
Share premium reserve		1,013,302	1,013,302
Revaluation reserve		1,512,010	727,010
Profit and loss account		<u>2,454,643</u>	<u>2,287,265</u>
Total equity		<u>6,519,655</u>	<u>5,567,277</u>

Approved and authorised by the Board on 2 March 2023 and signed on its behalf by:

.....
Mr K McAnallen
Director

Armagh City Hotel Limited

Statement of Changes in Equity for the Year Ended 31 July 2022

	Share capital £	Share premium £	Revaluation reserve £	Retained earnings £	Total £
At 1 August 2021	1,539,700	1,013,302	727,010	2,287,265	5,567,277
Profit for the year	-	-	-	167,378	167,378
Other comprehensive income	-	-	785,000	-	785,000
Total comprehensive income	-	-	785,000	167,378	952,378
At 31 July 2022	1,539,700	1,013,302	1,512,010	2,454,643	6,519,655
	Share capital £	Share premium £	Revaluation reserve £	Retained earnings £	Total £
At 1 August 2020	1,539,700	1,013,302	727,010	2,314,254	5,594,266
Loss for the year	-	-	-	(26,989)	(26,989)
At 31 July 2021	1,539,700	1,013,302	727,010	2,287,265	5,567,277

The notes on pages 14 to 29 form an integral part of these financial statements.
Page 12

Armagh City Hotel Limited

Statement of Cash Flows for the Year Ended 31 July 2022

	Note	2022 £	2021 £
Cash flows from operating activities			
Profit/(loss) for the year		167,378	(26,989)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	<u>8</u>	216,750	336,102
Profit on disposal of tangible assets	<u>7</u>	(167)	-
Finance costs	<u>9</u>	21,788	22,791
Income tax expense	<u>12</u>	31,233	21,018
		<u>436,982</u>	<u>352,922</u>
Working capital adjustments			
Increase in stocks	<u>14</u>	(16,774)	(4,171)
Increase in debtors	<u>15</u>	(145,500)	(6,866)
Increase/(decrease) in creditors	<u>17</u>	382,503	(155,981)
Increase in provisions	<u>18</u>	-	18,500
		<u>657,211</u>	<u>204,404</u>
Cash generated from operations			
Income taxes (paid)/received	<u>12</u>	(98,873)	3
		<u>558,338</u>	<u>204,407</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Acquisitions of tangible assets		(215,481)	(83,661)
Proceeds from sale of tangible assets		167	-
		<u>(215,314)</u>	<u>(83,661)</u>
Net cash flows from investing activities			
Cash flows from financing activities			
Interest paid	<u>9</u>	(21,788)	(22,791)
Proceeds from bank borrowing draw downs		-	650,000
Repayment of bank borrowing		(118,184)	(19,697)
Payments to finance lease creditors		<u>(16,634)</u>	<u>(12,476)</u>
		<u>(156,606)</u>	<u>595,036</u>
Net cash flows from financing activities			
Net increase in cash and cash equivalents		186,418	715,782
Cash and cash equivalents at 1 August		<u>684,440</u>	<u>(31,342)</u>
Cash and cash equivalents at 31 July	<u>16</u>	<u><u>870,858</u></u>	<u><u>684,440</u></u>

Armagh City Hotel Limited

Notes to the Financial Statements for the Year Ended 31 July 2022

1 General information

The company is a private company limited by share capital, incorporated in the United Kingdom.

The address of its registered office is:

Armagh City Hotel
Friary Road
Armagh
Co Armagh
BT60 4FR
Northern Ireland

These financial statements were authorised for issue by the Board on 2 March 2023.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Companies Act 2006'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the company will continue to be able to meet its liabilities as they fall due for the foreseeable future. The directors continually review the trading and financial position of the company and assess its future prospects, liquidity and borrowing position.

A major priority for the company is the review and monitoring of the impact of the ongoing COVID-19 pandemic on the current and future operations of the business and its ability to continue as a going concern. Financial forecasts have been prepared which indicate that the company can continue as a going concern for a period of at least 12 months from the signing of the financial statements, though this depends on the continuation of normal trading conditions and the restoration of turnover and profitability to pre-COVID-19 levels and the continued support from the company's bank.

The level of uncertainty in the hospitality industry has decreased significantly as restrictions have been eased and normality returns to the industry. The company is lowly geared and has adequate facilities to enable it to trade and continue as a going concern. On this basis the directors believe it is appropriate to prepare the financial statements on the going concern basis.

Armagh City Hotel Limited

Notes to the Financial Statements for the Year Ended 31 July 2022

2 Accounting policies (continued)

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The company recognises revenue when:

The amount of revenue can be reliably measured;

it is probable that future economic benefits will flow to the entity;

and specific criteria have been met for each of the company's activities.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate on the date when the fair value is re-measured.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

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

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 taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

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

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference, except for revalued land and investment property where the tax rate that applies to the sale of the asset is used.

Tangible assets

Tangible assets are stated in the balance sheet at cost or fair value, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Land	Not depreciated

Armagh City Hotel Limited

Notes to the Financial Statements for the Year Ended 31 July 2022

2 Accounting policies (continued)

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

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 the Statement of Comprehensive Income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are 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.

Armagh City Hotel Limited

Notes to the Financial Statements for the Year Ended 31 July 2022

2 Accounting policies (continued)

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the profit and loss account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Provisions

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the profit and loss account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Armagh City Hotel Limited

Notes to the Financial Statements for the Year Ended 31 July 2022

2 Accounting policies (continued)

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

3 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Useful economic life of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Inventory provision

The company considers the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

4 Revenue

The analysis of the company's turnover for the year from continuing operations is as follows:

	2022	2021
	£	£
Sale of goods	5,513,381	2,116,973
Other revenue	89,825	92,500
	<u>5,603,206</u>	<u>2,209,473</u>

Armagh City Hotel Limited

Notes to the Financial Statements for the Year Ended 31 July 2022

5 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2022	2021
	£	£
Government grants	17,934	1,098,961

6 Government grants

The amount of grants recognised in the financial statements was £17,934 (2021 - £1,098,961).

The Department of Business, Energy and Industrial Strategy have provided a guarantee to the company's bank covering up to 80% of the outstanding balance on its Coronavirus Business Interruption Loan Scheme borrowings.

The analysis of the government grants receivable by the company for the period is as follows:

	2022	2021
	£	£
Coronavirus (COVID-19) Job Retention Scheme (CJRS)	17,934	669,468
Other COVID-19 related grants	-	410,000
CBILS loan Business Interruption Payment	-	17,208
Other revenue grants	-	2,285
	17,934	1,098,961

7 Other gains and losses

The analysis of the company's other gains and losses for the year is as follows:

	2022	2021
	£	£
Gain on disposal of Tangible assets	167	-

8 Operating profit

Arrived at after charging/(crediting)

	2022	2021
	£	£
Depreciation expense	219,062	337,066
Amortisation expense	(2,312)	(964)
Profit on disposal of property, plant and equipment	(167)	-

Armagh City Hotel Limited

Notes to the Financial Statements for the Year Ended 31 July 2022

9 Interest payable and similar expenses

	2022	2021
	£	£
Interest on bank overdrafts and borrowings	16,850	18,671
Interest on obligations under finance leases and hire purchase contracts	2,099	1,575
Interest expense on other finance liabilities	2,839	2,545
Foreign exchange gains	121	176
	<u>21,909</u>	<u>22,967</u>

10 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2022	2021
	£	£
Wages and salaries	2,287,031	1,603,715
Social security costs	136,996	67,453
Pension costs, defined contribution scheme	31,209	24,843
Redundancy costs	-	16,887
	<u>2,455,236</u>	<u>1,712,898</u>

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

	2022	2021
	No.	No.
Administration and support	12	11
Sales	157	117
	<u>169</u>	<u>128</u>

11 Auditors' remuneration

	2022	2021
	£	£
Audit of the financial statements	<u>6,000</u>	<u>1,600</u>

Armagh City Hotel Limited

Notes to the Financial Statements for the Year Ended 31 July 2022

12 Taxation

Tax charged/(credited) in the profit and loss account

	2022 £	2021 £
Current taxation		
UK corporation tax	18,921	30,017
Deferred taxation		
Arising from origination and reversal of timing differences	12,312	(8,999)
Tax expense in the income statement	31,233	21,018

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2021 - higher than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £	2021 £
Profit/(loss) before tax	198,611	(5,971)
Corporation tax at standard rate	37,736	(1,134)
Effect of expense not deductible in determining taxable profit (tax loss)	(99)	1,252
Deferred tax expense/(credit) from unrecognised tax loss or credit	12,312	(8,999)
Tax (decrease)/increase from effect of capital allowances and depreciation	(19,122)	29,899
Other tax effects for reconciliation between accounting profit and tax expense (income)	406	-
Total tax charge	31,233	21,018

Armagh City Hotel Limited

Notes to the Financial Statements for the Year Ended 31 July 2022

13 Tangible assets

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Office equipment £	Motor vehicles £	Other tangible assets £	Total £
Cost or valuation							
At 1 August 2021	6,000,000	3,626,731	2,060,692	705,578	4,000	460,474	12,857,475
Revaluations	250,000	-	-	-	-	-	250,000
Additions	-	42,672	148,254	23,435	-	1,120	215,481
Disposals	-	-	-	-	(4,000)	-	(4,000)
At 31 July 2022	6,250,000	3,669,403	2,208,946	729,013	-	461,594	13,318,956
Depreciation							
At 1 August 2021	535,000	3,382,368	1,839,529	632,495	4,000	417,060	6,810,452
Revaluations	(535,000)	-	-	-	-	-	(535,000)
Charge for the year	-	52,165	108,913	33,945	-	24,037	219,060
Eliminated on disposal	-	-	-	-	(4,000)	-	(4,000)
At 31 July 2022	-	3,434,533	1,948,442	666,440	-	441,097	6,490,512
Carrying amount							
At 31 July 2022	6,250,000	234,870	260,504	62,573	-	20,497	6,828,444
At 31 July 2021	5,465,000	244,362	221,163	73,083	-	43,414	6,047,022

Notes to the Financial Statements for the Year Ended 31 July 2022

13 Tangible assets (continued)

Included within the net book value of land and buildings above is £6,250,000 (2021 - £5,465,000) in respect of freehold land and buildings.

Armagh City Hotel Limited

Notes to the Financial Statements for the Year Ended 31 July 2022

13 Tangible assets (continued)

Revaluation

The company's freehold land and buildings were revalued on 23 February 2023 on the basis of open market value for existing use by an independent valuer.

Had this class of asset been measured on a historical cost basis, the carrying amount would have been £4,680,561 (2021 - £4,680,561).

14 Stocks

	2022 £	2021 £
Consumables	82,605	86,085
Goods for resale	69,980	49,726
	<u>152,585</u>	<u>135,811</u>

15 Debtors

	2022 £	2021 £
Trade debtors	115,329	27,386
Other debtors	5,002	37,969
Prepayments	143,152	52,628
	<u>263,483</u>	<u>117,983</u>

16 Cash and cash equivalents

	2022 £	2021 £
Cash on hand	18,650	18,920
Cash at bank	852,208	665,520
	<u>870,858</u>	<u>684,440</u>

Armagh City Hotel Limited

Notes to the Financial Statements for the Year Ended 31 July 2022

17 Creditors

	Note	2022 £	2021 £
Due within one year			
Loans and borrowings	<u>21</u>	130,658	134,816
Trade creditors		369,541	233,207
Amounts due to related parties	<u>23</u>	4,137	8,413
Social security and other taxes		178,327	84,930
Outstanding defined contribution pension costs		1,321	9,456
Other payables		40,751	37,557
Accrued expenses		358,956	196,967
Corporation tax liability		21,235	101,187
		<u>1,104,926</u>	<u>806,533</u>
Due after one year			
Loans and borrowings	<u>21</u>	<u>393,939</u>	<u>524,596</u>

18 Provisions for liabilities

	Deferred tax £	Capital grants £	Total £
At 1 August 2021	69,314	17,536	86,850
Increase (decrease) in existing provisions	<u>12,312</u>	<u>(2,312)</u>	<u>10,000</u>
At 31 July 2022	<u>81,626</u>	<u>15,224</u>	<u>96,850</u>

19 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £31,209 (2021 - £24,843).

Contributions totalling £1,321 (2021 - £9,456) were payable to the scheme at the end of the year and are included in creditors.

Armagh City Hotel Limited

Notes to the Financial Statements for the Year Ended 31 July 2022

20 Share capital

Allotted, called up and fully paid shares

	2022		2021	
	No.	£	No.	£
Ordinary A shares of £1 each	1,154,775	1,154,775	1,154,775	1,154,775
Ordinary B shares of £1 each	384,925	384,925	384,925	384,925
	<u>1,539,700</u>	<u>1,539,700</u>	<u>1,539,700</u>	<u>1,539,700</u>

21 Loans and borrowings

	2022	2021
	£	£
Non-current loans and borrowings		
Bank borrowings	393,939	512,121
Hire purchase contracts	<u>-</u>	<u>12,475</u>
	<u>393,939</u>	<u>524,596</u>

	2022	2021
	£	£
Current loans and borrowings		
Bank borrowings	118,183	118,182
Hire purchase contracts	<u>12,475</u>	<u>16,634</u>
	<u>130,658</u>	<u>134,816</u>

Bank borrowings

The bank borrowings is denominated in sterling with a nominal interest rate of 3.5%, and the final instalment is due on 5 November 2026. The carrying amount at year end is £512,121 (2021 - £630,303).

The bank borrowings are secured by a fixed and floating charge over the company's assets.

Armagh City Hotel Limited

Notes to the Financial Statements for the Year Ended 31 July 2022

22 Dividends

Interim dividends paid

	2022 £	2021 £
Interim dividend of £- per each Ordinary A shares	-	-
Interim dividend of £- per each Ordinary B shares	-	-
	<u>-</u>	<u>-</u>

23 Related party transactions

Transactions with directors

	At 1 August 2021 £	Repayments by director £	At 31 July 2022 £
2022			
Mr B McCormack			
Loan	2,560	(2,560)	-
	<u>2,560</u>	<u>(2,560)</u>	<u>-</u>
Mr K McAnallen			
Loan	3,742	(3,742)	-
	<u>3,742</u>	<u>(3,742)</u>	<u>-</u>

	At 1 August 2020 £	At 31 July 2021 £
2021		
Mr B McCormack		
Loan	2,560	2,560
	<u>2,560</u>	<u>2,560</u>
Mr K McAnallen		
Loan	3,742	3,742
	<u>3,742</u>	<u>3,742</u>

Armagh City Hotel Limited

Notes to the Financial Statements for the Year Ended 31 July 2022

23 Related party transactions (continued)

Summary of transactions with other related parties

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, and of which F Mooney is a director, 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 £150,000 (2021 - £120,000) to Armagh City Hotel Limited and there were other expense (recouped)/ recharged which netted to £(2,859) (2021 - £12,176).

The amount due to Dunadry Development Company Limited at 31 July 2022 was £2,790 (2020 - to Dunadry Development Company Limited £5,649).

The amount due to Wellington Park Hotel Ltd - in liquidation at 31 July 2021 was £Nil (2020 - £11,572).

(b) Friary Road Enterprises Limited, of which K McAnallen, T E Fisher, B McCormack and F Mooney are directors, traded with Armagh City Hotel under the same terms as those available to other customers in the ordinary course of business. Rents of £3,149 (2021 - £6,060) were charged to Armagh City Hotel Limited and other expense recharges netted to £4,565 (2021 - £4,783).

The amount due to Friary Road Enterprises Limited at 31 July 2022 was £1,347 (2021 - £2,764).

Loans to related parties

	Other related parties	Total
2021	£	£
At start of period	6,527	6,527
Repaid	(6,527)	(6,527)
At end of period	-	-

Armagh City Hotel Limited

Notes to the Financial Statements for the Year Ended 31 July 2022

23 Related party transactions (continued)

Loans from related parties

	Other related parties £	Total £
2022		
At start of period	8,613	8,613
Advanced	84,111	84,111
Repaid	(88,586)	(88,586)
At end of period	4,138	4,138
	Other related parties £	Total £
2021		
At start of period	13,238	13,238
Advanced	122,262	122,262
Repaid	(126,887)	(126,887)
At end of period	8,613	8,613

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