

Company Registration Number: SC256751

Surgeons Lodge Limited T/A Ten Hill Place Hotel
Financial Statements
For the year ended
31 December 2016



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Surgeons Lodge Limited T/A Ten Hill Place Hotel

Financial Statements

Year ended 31 December 2016

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Surgeons Lodge Limited T/A Ten Hill Place Hotel

Officers and Professional Advisers

The Board of Directors

L N M Young
A Rooney
E C Colingsworth
G C Borthwick
M Skinner
RJ Montgomery
J N Gibson
A N Story

Company Secretary

A Rooney

Registered Office

The Royal College of Surgeons of Edinburgh
Nicolson Street
Edinburgh
EH8 9DW

Auditor

Chiene + Tait LLP
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

Bankers

The Royal Bank of Scotland
30 Nicolson Street
Edinburgh
EH8 9DL

Solicitors

Turcan Connell
Princes Exchange
1 Earl Grey Street
Edinburgh
EH3 9EE

Surgeons Lodge Limited T/A Ten Hill Place Hotel

Directors' Report

Year ended 31 December 2016

The directors present their report and the financial statements of the company for the year ended 31 December 2016.

Principal activities

The principal activities of the company continued to be that of the management of a hotel, events and food and beverage business.

Results

SLL runs the commercial activities of the College, primarily the Hotel and commercial events business, and continues to grow from strength-to-strength. Profits generated by SLL are returned to the College to support its charitable aims.

SLL has benefitted from the opportunities offered by the addition of the Prince Philip Building, the refurbished museums and Café 1505 to the College's campus. These additional venues contributed to a growth in SLL's business through hosting a greater number of commercial events at the College and, consequently, 2016 has been SLL's most successful year to-date.

The year to 31 December 2016 saw total turnover generated of £4,851,566 (2015: £4,245,119), an increase of £606,447 (14%) from that achieved in 2015. With cost of sales increasing broadly in line with turnover, a gross profit of £2,258,347, being 46.5%, has been achieved (2015: £1,930,163 and 45.5%). Administrative expenses have increased year on year by £601,409 and this is primarily attributable to the fact that a gift aid donation, amounting to £440,247 (2015: £2,470) has been declared to the parent undertaking, the Royal College of Surgeons of Edinburgh. Overall, profit before taxation for the year is £200,410 (2015: £510,521).

Directors

The directors who served the company during the year were as follows:

L N M Young
A Rooney
E C Colingsworth
G C Borthwick
M Skinner
RJ Montgomery
A N Story
J N Gibson

(Appointed 29 January 2016)

Directors' responsibilities statement

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 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 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 judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Surgeons Lodge Limited T/A Ten Hill Place Hotel

Directors' Report *(continued)*

Year ended 31 December 2016

Directors' responsibilities statement (continued)

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.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

Small company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

This report was approved by the board of directors on 21st July 2017 and signed on behalf of the board by:


A Rooney
Company Secretary

Surgeons Lodge Limited T/A Ten Hill Place Hotel

Independent Auditor's Report to the Member of Surgeons Lodge Limited T/A Ten Hill Place Hotel

Year ended 31 December 2016



We have audited the financial statements of Surgeons Lodge Limited T/A Ten Hill Place Hotel for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Surgeons Lodge Limited T/A Ten Hill Place Hotel

Independent Auditor's Report to the Member of Surgeons Lodge Limited T/A Ten Hill Place Hotel *(continued)*

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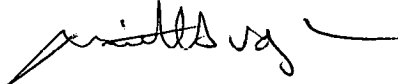
Year ended 31 December 2016

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 Director's 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 the 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; and
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors reports and take advantage of the small companies exemption from the requirement to prepare a strategic report.



Jeremy Chittleburgh BSc CA (Senior Statutory Auditor)

For and on behalf of
Chiene + Tait LLP
Chartered Accountants & statutory auditor
61 Dublin Street
Edinburgh
EH3 6NL

28 July 2017

Surgeons Lodge Limited T/A Ten Hill Place Hotel

Statement of Comprehensive Income

Year ended 31 December 2016

	Note	2016 £	2015 £
Turnover		4,851,566	4,245,119
Cost of sales		<u>2,593,219</u>	<u>2,314,956</u>
Gross profit		2,258,347	1,930,163
Distribution costs		<u>229,928</u>	182,186
Administrative expenses		<u>1,824,456</u>	<u>1,223,047</u>
Operating profit		203,963	524,930
Interest receivable		<u>1,673</u>	2,670
Interest payable		<u>(5,226)</u>	<u>(17,079)</u>
Profit before taxation	6	200,410	510,521
Taxation on ordinary activities	7	<u>(50,008)</u>	<u>35,748</u>
Profit for the financial year and total comprehensive income		<u>150,402</u>	<u>546,269</u>

All the activities of the company are from continuing operations.

The company has no other recognised items of income and expenses other than the results for the year as set out above.

Surgeons Lodge Limited T/A Ten Hill Place Hotel

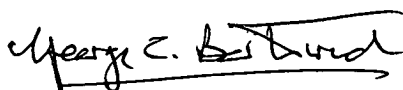
Statement of Financial Position

31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	8	758,491	777,370
Current assets			
Stocks	9	31,344	42,414
Debtors	10	398,364	450,020
Cash at bank and in hand		964,856	839,097
		<u>1,394,564</u>	<u>1,331,531</u>
Creditors: amounts falling due within one year	11	<u>(973,051)</u>	<u>(1,129,307)</u>
Net current assets		<u>421,513</u>	<u>202,224</u>
Total assets less current liabilities		<u>1,180,004</u>	<u>979,594</u>
Provisions			
Taxation including deferred tax		(14,260)	35,748
Net assets		<u>1,165,744</u>	<u>1,015,342</u>
Capital and reserves			
Called up share capital		100	100
Profit and loss account		1,165,644	1,015,242
Member funds		<u>1,165,744</u>	<u>1,015,342</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

These financial statements were approved by the board of directors and authorised for issue on 7 July 2017, and are signed on behalf of the board by:



G C Borthwick

Company registration number: SC256751

Surgeons Lodge Limited T/A Ten Hill Place Hotel

Statement of Changes in Equity

Year ended 31 December 2016

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2015	100	1,999,900	(1,530,927)	469,073
Profit for the year	—	—	546,269	546,269
Total comprehensive income for the year	—	—	546,269	546,269
Capital Reduction	—	(1,999,900)	1,999,900	—
Total investments by and distributions to owners	—	(1,999,900)	1,999,900	—
At 31 December 2015	100	—	1,015,242	1,015,342
Profit for the year	—	—	150,402	150,402
Total comprehensive income for the year	—	—	150,402	150,402
At 31 December 2016	100	—	1,165,644	1,165,744

The notes on pages 9 to 15 form part of these financial statements

Surgeons Lodge Limited T/A Ten Hill Place Hotel

Notes to the Financial Statements

Year ended 31 December 2016

1. General information

Surgeons Lodge Limited T/A Ten Hill Place Hotel is a private company limited by shares, registered in Scotland. The address of the registered office is The Royal College of Surgeons of Edinburgh, Nicolson Street, Edinburgh, EH8 9DW.

2. Statement of compliance

These financial statements have been prepared in compliance with the provisions of FRS 102 Section 1A, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS102") issued by the Financial Reporting Council, and applicable legislation as set out in the Companies Act 2006. The financial statements have been presented in Pounds Sterling as this is the functional and presentational currency of the Company.

Pensions

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Going concern

The financial statements have been prepared on a going concern basis. The directors have assessed the Company's ability to continue as a going concern and have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

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 amounts of assets and liabilities that are not readily apparent from other sources. As the 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i) Useful economic lives 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 re-assessed 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. See note 6 for carrying amounts of tangible assets.

ii) 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. See note 8 for carrying amount of debtors.

Surgeons Lodge Limited T/A Ten Hill Place Hotel

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Revenue recognition

Turnover represents amounts receivable from room revenue, event hire and income from food and beverage net of VAT. Revenue is recognised when rooms are occupied, events take place, and food and beverages are sold.

Income tax

Taxation expense for the period comprises current and deferred tax. Tax currently payable, relating to UK corporation tax, is calculated on the basis of tax rates and laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. Transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future gives rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Deferred income tax assets are only recognised to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Surgeons Lodge Limited T/A Ten Hill Place Hotel

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Tenant's Improvements	-	10% straight line from completion
Machinery and Equipment	-	10% straight line
Furniture and Fixtures	-	20% straight line
Computer Equipment	-	25% straight line

Stocks

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

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Surgeons Lodge Limited T/A Ten Hill Place Hotel

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

4. Auditor's remuneration

	2016 £	2015 £
Fees payable for the audit of the financial statements	5,300	5,200
Fees payable for other services	<u>1,600</u>	<u>1,500</u>

5. Particulars of employees

The average number of persons employed by the company during the year, including the directors, amounted to 69 (2015: 60). Non-executive directors were not remunerated for their services in either the current or prior year.

6. Profit before taxation

Profit before taxation is stated after charging:

	2016 £	2015 £
Depreciation of tangible assets	<u>199,627</u>	<u>151,039</u>

7. Taxation on ordinary activities

Major components of tax income

	2016 £	2015 £
Deferred tax:		
Origination and reversal of timing differences	(48,221)	35,748
Effect on opening deferred taxes of change in tax rate	<u>(1,787)</u>	<u>-</u>
Taxation on ordinary activities	<u>(50,008)</u>	<u>35,748</u>

Factors affecting the tax charge

A reduction in the UK corporation tax rate from 20% to 19% took effect from 1 April 2017. A further reduction from 19% to 17% was also enacted and will take effect from 1 April 2020.

Reconciliation of tax income

The tax assessed on the profit on ordinary activities for the year is higher (2015: lower than) than the standard rate of corporation tax in the UK of 20% (2015: 20.25%).

	2016 £	2015 £
Profit on ordinary activities before taxation	<u>200,410</u>	<u>510,521</u>
Profit on ordinary activities by rate of tax	(40,082)	(103,363)
Effect of expenses not deductible for tax purposes	(10,677)	(608)
Effect of different UK tax rates on some earnings	751	139,719
Tax on profit	<u>(50,008)</u>	<u>35,748</u>

Surgeons Lodge Limited T/A Ten Hill Place Hotel

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

8. Tangible assets

	Tenant's Improvem'ts £	Machinery and Equipment £	Furniture and Fixtures £	Computer Equipment £	Total £
Cost					
At 1 January 2016	516,903	298,718	189,402	155,954	1,160,977
Additions	6,875	22,192	102,094	49,587	180,748
At 31 December 2016	523,778	320,910	291,496	205,541	1,341,725
Depreciation					
At 1 January 2016	84,695	148,255	83,322	67,335	383,607
Charge for the year	52,497	69,414	42,772	34,944	199,627
At 31 December 2016	137,192	217,669	126,094	102,279	583,234
Carrying amount					
At 31 December 2016	386,586	103,241	165,402	103,262	758,491
At 31 December 2015	432,208	150,463	106,080	88,619	777,370

9. Stocks

	2016 £	2015 £
Raw materials	31,344	42,414

10. Debtors

	2016 £	2015 £
Trade debtors	333,580	343,729
Other debtors	64,784	106,291
	398,364	450,020

11. Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	100,336	327,859
Amounts owed to group undertakings	568,381	438,684
Social security and other taxes	146,831	220,834
Other creditors	157,503	141,930
	973,051	1,129,307

Inter company loan arrangements attract interest at 2% plus 3 month LIBOR and are repayable on demand.

Surgeons Lodge Limited T/A Ten Hill Place Hotel

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

12. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2016 £	2015 £
Included in provisions	<u>(14,260)</u>	<u>35,748</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2016 £	2015 £
Accelerated capital allowances	(15,020)	24,974
Deferred tax - other timing differences	<u>760</u>	<u>10,774</u>
	<u>(14,260)</u>	<u>35,748</u>

There are no unrelieved tax losses carried forward at 31 December 2016. Deferred tax has been provided for in these financial statements at 19% (2015: 20%). The net reversal of deferred tax assets and liabilities in 2017 is not possible to quantify at this stage but this is not expected to be significant.

13. Employee benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £20,461 (2015: £18,028). Contributions totalling £Nil (2015: £Nil) were payable to the fund at the year-end.

14. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2016 £	2015 £
Financial assets that are debt instruments measured at amortised cost		
Financial assets that are debt instruments measured at amortised cost	<u>336,628</u>	<u>409,906</u>
Financial liabilities measured at amortised cost		
Financial liabilities measured at amortised cost	<u>385,973</u>	<u>908,473</u>

15. Commitments under operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2016 £	2015 £
Not later than 1 year	550,000	550,000
Later than 1 year and not later than 5 years	1,480,000	1,480,000
Later than 5 years	<u>3,237,500</u>	<u>3,607,500</u>
	<u>5,267,500</u>	<u>5,637,500</u>

Within lease commitments are an annually renewable £180,000 lease and a £370,000 per annum 20 year lease of property from the Royal College of Surgeons of Edinburgh.

Surgeons Lodge Limited T/A Ten Hill Place Hotel

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

16. Related party transactions

During the year the company carried out various transactions in the normal course of business with The Royal College of Surgeons of Edinburgh, the sole shareholder of the company.

Details of the relevant transactions are as follows:

Property rental expenses: £601,548 (2015: £573,650)

Management charges: £50,000 (2015: £46,000)

Recharge of staff costs by the College: £90,476 (2015: £128,193)

Interest on intercompany loan: £5,226 (2015: £17,079)

Sales by the company to the College: £544,493 (2015: £540,973)

At 31 December 2016, the following balances were outstanding:

Due to The Royal College of Surgeons of Edinburgh: £568,381 (2015: £438,684).

17. Controlling party

In the opinion of the directors the ultimate controlling party is The Royal College of Surgeons of Edinburgh, by way of being the sole shareholder of the company.