

Company registration number 03098213 (England and Wales)

THE HOTEL FOLK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022

THE HOTEL FOLK LIMITED

COMPANY INFORMATION

| | |
|--------------------------|---|
| Directors | Mr M G H Heald Mrs L J F Heald Mr A M H Heald Mrs J A Whybrow Ms J Hill Mr D Scott |
| Secretary | Ms J Hill |
| Company number | 03098213 |
| Registered office | Thorpeness Golf Club Lakeside Avenue Thorpeness Leiston IP16 4NH |
| Auditor | Ensors Accountants LLP Connexions 159 Princes Street Ipswich IP1 1QJ |

THE HOTEL FOLK LIMITED

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THE HOTEL FOLK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

The directors present the strategic report for the year ended 30 September 2022.

Review of the business

This financial year is the first full year of trading without any COVID-19 related restrictions hence results show an extremely positive sales and profit progression versus the previous year.

Benefits of the staycation enjoyed in the previous financial year delivered a strong start followed by some minor setbacks over the Christmas 2021 trading period as the Omicron variant encouraged guests to socialise with more caution. Following this period, the trading environment returned closer to post pandemic conditions with more guests opting for foreign holidays. On balance the business delivered record sales never seen before in the company's trading history. Despite inflationary pressures, largely in food costs, the business has also enjoyed strong profit progression.

Staffing pressures eased as the year progressed assisted by a renewed and energised approach to staff training and development. This combined with a continued and focused programme of capital improvements has allowed the business to improve its Guest Satisfaction scores.

The directors of the company consider the future position of the business to be strong, fit, and able to maximise another strong year of trading.

Principal risks and uncertainties

Inflationary pressures and continued concerns over consumer confidence remain the largest source of uncertainty. The business is fortunate to have secured longer term utility contracts with gas and electricity suppliers allowing such pressures not to be a substantial drain on profits. However, such pressures are in place for our suppliers who have passed on significant increases, specifically in laundry and linen.

Margins, specifically food continue to be volatile and have the potential to drain profitability. Supplier consolidation and negotiations have been key to securing longer term certainty in this area. Increase in the National Living Wage to £10.42 in April 2023 also places pressures on ourselves as well as our suppliers.

Discretionary spend is a concern, however our demographic is potentially more insulated against such cost-of-living pressures. Focus on increasing Average Daily Rate through capital investment and guest service enabled by Training and Development is the priority to create more premium experiences for our guests to enjoy.

Key performance indicators

Total sales for year ending 30th September 2022 grew by 51.57% versus the previous partial year of trading, revenues never achieved in the groups trading history. Whilst the benefit of a full year's trading was anticipated in the budget, the business was able to outperform it's targets by 15.76% with growth driven by accommodation also allowing secondary revenue streams such as food, liquor, and golf to mutually benefit.

Strong performance and subsequent cashflows have allowed for capital investment with a further 36 hotel bedrooms refurbished in the year. Combining this and the previous financial year together, a total of 48 bedrooms have been refreshed, 25% of the total groups room stock. 34 of these bedrooms are at The Brudenell which has helped increased ADR in this hotel significantly.

Strong sales performance flowed down the P and L into respectable Gross Profits, with improving accommodation margins as the shift to own online channels versus third parties continued. Liquor margins remained healthy and on budget, whilst food margins came under increased pressure as cost of materials accelerated as the year progressed.

Labour percentages including Head Office and Directors remuneration decreased by 4.7PPTS versus the previous year and 0.3PPTS versus budget. Initiatives such as double tips for staff continued over the Christmas 2021 period as they had the previous summer. Utility costs continued to benefit from relief on business rates as enjoyed by the rest of the hospitality sector, all other expenses remain in line with sales to cost ratios.

THE HOTEL FOLK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

Key performance indicators (continued)

Our Net Promoter Score as measured through Guest Revu improved to the year ending 30th September 2022. This improvement is attributed to the capital improvements made across our room stock and better service assisted by further investment in Training and Development

Strong revenues and prudent cost control have grown Profit before Tax from £666,290 in the year ended 30 September 2021 to £1,089,347 in the 12 months to 30 September 2022. The board remain pleased, but not complacent with this performance.

On behalf of the board

Mrs J A Whybrow
Director

15 May 2023

THE HOTEL FOLK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

The directors present their annual report and financial statements for the year ended 30 September 2022.

Principal activities

The principal activity of the company during the period was the operation of hotels and other leisure activities.

Results and dividends

The results for the year are set out on page 11.

During the year ended 30 September 2022, ordinary dividends were paid amounting to £200,000 in relation to the results for the year ended 30 September 2021. The directors recommend a dividend payment of £300,000 with respect to the financial year ending 30 September 2022, 12.4571 pence per ordinary shares of £1 each.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr M G H Heald
Mrs L J F Heald
Mr A M H Heald
Mrs J A Whybrow
Mr A Wood
Ms J Hill
Mr D Scott

(Resigned 22 November 2021)

Disabled persons

The company's policy is to recruit disabled workers equally with able bodied workers when recruiting for all suitable vacancies. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Employee involvement

Employee numbers increased from 355 to 380 to 30th September 2022 reflecting the diversity and flexibility required of a modern workforce, 380 employees equate to 227 Full Time Equivalents. The company employs a significant number of young people with 22.3% of Folk employed aged 21 or under as of September 2021 payroll, a fall of 2.7PPTS versus the same period last year. Numbers vary due to the seasonal nature of the business. 43.0% of all Folk employed are male, 57.0% female, no change versus 2020/21. Geographically the employees of the company live almost exclusively in Suffolk.

During the year the business reintroduced the role of a Training and Development Manager who owned and developed the opening of the Training Centre at our Head Office in Thorpeness. This training and development space provides a safe learning environment for our Folk to learn and consolidate new hospitality skills. The centre boasts a mock training kitchen, restaurant, and bedroom to allow staff to practice key skills before they go into their respective hotels.

From opening every new employee now spends day one of their employment on the Company induction before they start their role in a hotel or Head Office. To date 210 new employees have undergone this induction programme. Over 40 set pieces of training have been completed ranging from Fire Safety, Extraordinary Guest Service to Duty Management training for our more senior employees.

During the summer season of 2021 a 'double tip' initiative was introduced whereby the company matched every gratuity given be a guest pound for pound. The total company 'matched fund' was equally distributed between all Folk, including Head Office employees. The sentiment behind the scheme was to encourage staff to deliver outstanding hospitality, the better the guest experience, the higher the gratuity, the higher the company reward. This scheme was used again at Christmas 2021 and again in April, however the 'double tip' was distributed to the Ukraine Humanitarian Appeal, a total of £28,666.67 was raised for those in need.

Bonus schemes were also in place for Head Chefs and General/Hotel Managers.

THE HOTEL FOLK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

Employee involvement (continued)

The company's policy is to consult and thoroughly discuss with Folk all matters likely to affect employees' interests. Information and matters which are of concern to our Folk are given through information bulletins published on our group training portal 'Folklore' and on staff notice boards across all hotels. Currently 229 of 362 Folk are actively engaged in our company Facebook page whereby videos, photographs and company updates are regularly shared.

Financial information and company performance is shared with the department leaders each week with month end financial and service updates shared each month utilising the communication methods referenced above.

Future developments

The company has continued its commitment to refurbishing its assets with a further 35 rooms during the next financial year as well as public areas and back of house infrastructure. A three-year investment has been approved to replace the irrigation system at Thorpeness Golf Club and Hotel, year one has already been completed to ensure the long-term future of such a vital asset.

Auditor

The auditors, Ensors, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Energy and carbon report

The company is committed to reducing its carbon footprint and becoming more environmentally friendly in all hotels. Our three yearly ESOS report has been completed with all actions being followed through to improve the company carbon footprint. GHG emissions and energy use data for period 1 October 2021 to 30 September 2022:

| | Current Reporting Year 2021-2022 | Previous Reporting Year 2020-2021 |
|---|-------------------------------------|--------------------------------------|
| | UK GHG Emission and Energy Data | UK GHG Emission and Energy Data |
| Energy consumption used to calculate emissions (kWh); all mandatory energy sources are included. | 5,810,012.36 | 5,394,115.49 |
| Scope 1: Emissions from the combustion of Natural Gas (tCO ₂ e) | 678.27 | 664.39 |
| Scope 1: Emissions from combustion of Kerosene / Gas Oil Fuel for heating and machinery (tCO ₂ e). (see evidence pack for breakdown) | 90.33 | 95.72 |
| Scope 1: Emissions of Biomass Pellets (tCO ₂ e) | NA | NA |
| Scope 3: Emissions from business travel in employee-owned vehicles, where the company repaid mileage claims (tCO ₂ e) (average vehicle / fuel source unknown) | NA | 1.32 |
| Scope 2: Emissions from purchased Electricity (tCO ₂ e) | 325.40 | 296.40 |
| Total gross CO ₂ e based on above (tCO ₂ e) | 1,094.00 | 1,057.83 |
| Intensity Ratio: tCO ₂ e per £100,000 of turnover | 7.05 tCO ₂ e | 10.32 tCO ₂ e |

THE HOTEL FOLK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

Methodology

An evidence-based methodology was adopted in accordance with BS EN ISO 14064-3:2019, Section 4.3; verifiable data has been collected from the following sources:

- Energy Data: Energy Metering, Invoices, Supply Summaries / Statements, Repayment Claims for business mileage, Fuel Cards, and correspondence with suppliers.
- Previous Audit Data: ESOS Phase II Report and SECR Report 2020-2021.
- Emission Conversions: All emission factors for CO₂e, have been calculated using Defra Conversions 2022, as the period covers nine-months of 2022 and three-months of 2021, in accordance with Defra guidelines.
- Reporting Period: The SECR disclosure is for the Financial Year 1st October 2021 to 30th September 2022, for inclusion to Annual Accounts made up to 30th September 2022.
- Intensity Ratio: The Intensity Ratio is based on Annual Turnover in tonnes of carbon dioxide equivalent per £100,000 of turnover.
- Grey Fleet: Scope 3 Emissions for Grey Fleet Mileage has been omitted, due to difficulties in obtaining the information and marginal emissions recorded in previous years.

Third Party Verification

The energy data has been compiled and audited by Sean Midgley (ESOS Lead Assessor) of Powerful Allies Limited, CIBSE Registration No: ESOS185262.

Energy Efficiency Action

The Hotel Folk (THF) have recently started an energy efficiency review of the estate, to further decarbonise the portfolio of hospitality and leisure facilities as follows:

- a. During the financial year **100%** of electricity supplied to The Hotel Folk (THF) portfolio is from **100% REGO Backed Renewable Zero Carbon Generation**.
- b. Greenhouse Gas Emissions have **reduced by 32.1%**, against the 2020/21 SECR Report per £100,000 of revenue, and two domestic properties have been disposed of.
- c. Emissions and consumption has increased slightly over the reporting period, as business has started to recover from the effects of closedowns, business has not yet resumed full operation, due to staffing issues affecting the sector.
- d. THF have completed the migration to Half Hourly metering for meters with '05 – 08' profiles, which are now all visible on a central Energy Monitoring Portal. Work continues with a program of upgrading Gas metering to AMR, and SMART Metering under the SMART Meter Rollout, for qualifying meters. The improved visibility and granularity will assist in identifying possible waste, control issues, and promote energy efficient behaviour across the portfolio.
- e. THF have two site consuming Burning Oil, Powerful Allies have been commissioned to assist in a review of building fabric to reduce heat losses, increase heat recovery, and switch from Oil fired heating to energy efficient alternative technologies. Fuel switching from Oil to Electricity, could result in GHG reductions of around 72 tCO₂e per year, based on an estimated boiler efficiency of 75% and new technologies with a system performance factor (SPF) or 3:1. The upgraded Half Hourly metering data is now being monitored for Maximum Demand Data, a full 12-month period is required to assess the available incoming electricity supply against demand. Once the Maximum Demand data is known for both sites, a review of potential electricity reinforcement requirements should be completed, prior to considering switching to Low Carbon Heating such as Air / Ground Source Heat Pumps, or other electric heating and hot water generation.
- f. THF have a rolling program of lighting upgrades to LED, as lighting in hospitality can account for approximately 30% - 40% of all electricity consumption. Switching to LED lighting should reduce consumption of electricity for lighting by approximately 50% or 15% - 20% of total electricity consumption / 90 - 120 tCO₂e per year. During a review of three of the hotels, it was identified the LED lighting is well advanced with >90% of general lighting having been upgraded to LED Lighting.
- g. THF have completed the boiler upgrade at 'The Brudenell Hotel' with new High Efficiency Condensing Boilers and improved controls, it is anticipated the energy and emissions will be reduced by 25%-35%, the change in gas consumption should be notable during winter-22 and show a reduction in 2022/23 SECR disclosure – the results may be masked if full operation of the hotel is resumed over the winter period.
- h. THF are currently in the process of developing a Heat Decarbonisation Plan, including building fabric, insulation, heat generator and emitter review, assisted by Powerful Allied Limited. It is anticipated this work coupled with the new GHG Reporting requirements, will lead to an action plan based on SMART objectives and endorsed by Top Level Management.

THE HOTEL FOLK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

Mrs J A Whybrow
Director

15 May 2023

THE HOTEL FOLK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

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 of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

THE HOTEL FOLK LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE HOTEL FOLK LIMITED

Opinion

We have audited the financial statements of The Hotel Folk Limited (the 'company') for the year ended 30 September 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including 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 30 September 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's 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 financial statements are 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 other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

THE HOTEL FOLK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE HOTEL FOLK LIMITED

Matters on which we are required to report by exception

In the light of the 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 or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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 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 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, 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.

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.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

Our audit was designed to include tests of detail together with an assessment of the control environment to enable us to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud. Through discussion with directors and management, and from our own knowledge of and experience of the sector in which the company operates we identified the following areas where we consider there is a higher risk of fraud: revenue recognition, and management override of systems and control. We note that the client has various internal controls in place to reduce the susceptibility of the company to material misstatement due to fraud.

THE HOTEL FOLK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE HOTEL FOLK LIMITED

We performed audit procedures to address the risks noted above, which included the following:

- Enquiry of management, those charged with governance and the entity's solicitors around actual and potential litigation and claims
- Reviewing minutes of board meetings
- Testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is we would become aware of non-compliance. Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

It is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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.

Zoe Plowman

Senior Statutory Auditor

For and on behalf of Ensors Accountants LLP

8 June 2023

Chartered Accountants

Statutory Auditor

Connexions
159 Princes Street
Ipswich
IP1 1QJ

THE HOTEL FOLK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2022

| | Notes | 2022 £ | 2021 £ |
|--|-----------|-------------|-------------|
| Turnover | 3 | 15,441,457 | 10,188,012 |
| Cost of sales | | (9,237,817) | (7,207,891) |
| Gross profit | | 6,203,640 | 2,980,121 |
| Administrative expenses | | (4,938,637) | (3,604,515) |
| Other operating income | | 52,000 | 1,771,509 |
| Operating profit | 4 | 1,317,003 | 1,147,115 |
| Interest receivable and similar income | 8 | - | 90 |
| Interest payable and similar expenses | 9 | (477,656) | (480,915) |
| Fair value gains and losses on investment properties | 14 | 250,000 | - |
| Profit before taxation | | 1,089,347 | 666,290 |
| Tax on profit | 10 | (283,626) | (459,614) |
| Profit for the financial year | | 805,721 | 206,676 |

The income statement has been prepared on the basis that all operations are continuing operations.

THE HOTEL FOLK LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2022

| | | 2022 | | 2021 | |
|--|-------|--------------------|-------------------------|--------------------|-------------------------|
| | Notes | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 13 | | 21,619,822 | | 21,498,399 |
| Investment property | 14 | | 1,400,000 | | 1,150,000 |
| Investments | 15 | | 302 | | 302 |
| | | | <u>23,020,124</u> | | <u>22,648,701</u> |
| Current assets | | | | | |
| Stocks | 17 | 234,333 | | 197,366 | |
| Debtors | 18 | 762,304 | | 654,730 | |
| Cash at bank and in hand | | <u>335,957</u> | | <u>522,096</u> | |
| | | | <u>1,332,594</u> | | <u>1,374,192</u> |
| Creditors: amounts falling due within one year | 19 | <u>(6,370,908)</u> | | <u>(4,593,578)</u> | |
| Net current liabilities | | | <u>(5,038,314)</u> | | <u>(3,219,386)</u> |
| Total assets less current liabilities | | | <u>17,981,810</u> | | <u>19,429,315</u> |
| Creditors: amounts falling due after more than one year | 20 | | <u>(12,136,146)</u> | | <u>(14,343,903)</u> |
| Provisions for liabilities | | | | | |
| Deferred tax liability | 23 | <u>1,150,274</u> | | <u>995,743</u> | |
| | | | <u>(1,150,274)</u> | | <u>(995,743)</u> |
| Net assets | | | <u><u>4,695,390</u></u> | | <u><u>4,089,669</u></u> |
| Capital and reserves | | | | | |
| Called up share capital | 25 | | 2,408,263 | | 2,408,263 |
| Share premium account | 26 | | 169,390 | | 169,390 |
| Other reserves | | | 408,470 | | 408,470 |
| Profit and loss reserves | 28 | | <u>1,709,267</u> | | <u>1,103,546</u> |
| Total equity | | | <u><u>4,695,390</u></u> | | <u><u>4,089,669</u></u> |

The financial statements were approved by the board of directors and authorised for issue on 22 May 2023 and are signed on its behalf by:

Mr M G H Heald
Director

Company Registration No. 03098213

THE HOTEL FOLK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2022

| | Notes | Share capital £ | Share premium account £ | Merge reserve £ | Profit and loss reserves £ | Total £ |
|--|-------|--------------------|----------------------------------|-----------------------|----------------------------------|------------|
| Balance at 1 October 2020 | | 2,408,263 | 169,390 | 408,470 | 896,870 | 3,882,993 |
| Year ended 30 September 2021: | | | | | | |
| Profit and total comprehensive income for the year | | - | - | - | 206,676 | 206,676 |
| Balance at 30 September 2021 | | 2,408,263 | 169,390 | 408,470 | 1,103,546 | 4,089,669 |
| Year ended 30 September 2022: | | | | | | |
| Profit and total comprehensive income for the year | | - | - | - | 805,721 | 805,721 |
| Dividends | 11 | - | - | - | (200,000) | (200,000) |
| Balance at 30 September 2022 | | 2,408,263 | 169,390 | 408,470 | 1,709,267 | 4,695,390 |

THE HOTEL FOLK LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

| | | 2022 | 2021 |
|---|-------|-------------------------|-------------------------|
| | Notes | £ | £ |
| Cash flows from operating activities | | | |
| Cash generated from operations | 32 | 2,303,761 | 1,891,701 |
| Interest paid | | (477,656) | (480,915) |
| Income taxes paid | | (176,524) | (181,536) |
| Net cash inflow from operating activities | | <u>1,649,581</u> | <u>1,229,250</u> |
| Investing activities | | | |
| Purchase of tangible fixed assets | | (901,999) | (422,970) |
| Proceeds from disposal of tangible fixed assets | | - | 3,013 |
| Interest received | | - | 90 |
| Net cash used in investing activities | | <u>(901,999)</u> | <u>(419,867)</u> |
| Financing activities | | | |
| Repayment of bank loans | | (635,311) | (616,500) |
| Payment of finance leases obligations | | (31,918) | (33,210) |
| Dividends paid | | (200,000) | - |
| Net cash used in financing activities | | <u>(867,229)</u> | <u>(649,710)</u> |
| Net (decrease)/increase in cash and cash equivalents | | <u>(119,647)</u> | <u>159,673</u> |
| Cash and cash equivalents at beginning of year | | 168,972 | 9,299 |
| Cash and cash equivalents at end of year | | <u><u>49,325</u></u> | <u><u>168,972</u></u> |
| Relating to: | | | |
| Cash at bank and in hand | | 335,957 | 522,096 |
| Bank overdrafts included in creditors payable within one year | | <u><u>(286,632)</u></u> | <u><u>(353,124)</u></u> |

THE HOTEL FOLK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 Accounting policies

Company information

The Hotel Folk Limited is a private company limited by shares incorporated in England and Wales. The registered office is Thorpeness Golf Club, Lakeside Avenue, Thorpeness, Leiston, IP16 4NH.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include investment properties at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

The company has enjoyed a successful first six months of trading during financial year 2022/23. The company is looking to refinance the long-term loans in December 2023 and feels in a strong position to do so following the previous three years trading performance.

Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Room, catering and green fee revenue is recognised at the point of delivery.

Annual golf memberships fees and rental income is recognised on a pro-rata basis across the term of the contract.

1.4 Intangible fixed assets - goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of five years.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|------------------------------|-------------------------|
| Land and buildings Freehold | 2% Straight line |
| Land and buildings Leasehold | 125 years straight line |
| Plant and machinery | 15% Reducing balance |
| Motor vehicles | 25% Reducing balance |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

THE HOTEL FOLK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 Accounting policies

(Continued)

1.6 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. Changes in fair value are recognised in profit or loss.

1.7 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.8 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

THE HOTEL FOLK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 Accounting policies

(Continued)

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

THE HOTEL FOLK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 Accounting policies

(Continued)

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

THE HOTEL FOLK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Leases

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

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.17 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

THE HOTEL FOLK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

2 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. 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. 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 the revision and future periods where the revision affects both current and future periods.

Depreciation

The company estimates the rates of depreciation used to write down the different classes of assets the company owns. This is based on prior experience of asset lives while taking into account any additional circumstances. Once fully depreciated over its useful life the asset should be stated at its residual value or £Nil if there is no residual value.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

| | 2022 £ | 2021 £ |
|---|-------------------|-------------------|
| Turnover analysed by class of business | | |
| Operation of hotels | 15,297,898 | 10,081,391 |
| Rental income | 143,559 | 106,621 |
| | <u>15,441,457</u> | <u>10,188,012</u> |

| | 2022 £ | 2021 £ |
|---|-------------------|-------------------|
| Turnover analysed by geographical market | | |
| United Kingdom | <u>15,441,457</u> | <u>10,188,012</u> |

| | 2022 £ | 2021 £ |
|----------------------|---------------|------------------|
| Other revenue | | |
| Interest income | - | 90 |
| Grants received | <u>52,000</u> | <u>1,771,509</u> |

4 Operating profit

| | 2022 £ | 2021 £ |
|---|-----------|----------------|
| Operating profit for the year is stated after charging/(crediting): | | |
| Government grants | (52,000) | (1,771,509) |
| Depreciation of owned tangible fixed assets | 776,591 | 645,451 |
| Loss/(profit) on disposal of tangible fixed assets | 3,985 | (2,774) |
| Amortisation of intangible assets | <u>-</u> | <u>127,311</u> |

THE HOTEL FOLK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

4 Operating profit (Continued)

Government grants are in respect of Covid 19 relief schemes.

5 Auditor's remuneration

| | 2022 £ | 2021 £ |
|---|-----------|-----------|
| Fees payable to the company's auditor and associates: | | |
| For audit services | | |
| Audit of the financial statements of the company | 17,850 | 16,270 |
| For other services | | |
| Taxation compliance services | 4,950 | 4,560 |
| All other non-audit services | 995 | 465 |
| | 5,945 | 5,025 |

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

| | 2022 Number | 2021 Number |
|----------------------|----------------|----------------|
| Front of house staff | 345 | 323 |
| Administration staff | 18 | 17 |
| Management staff | 17 | 15 |
| Total | 380 | 355 |

Their aggregate remuneration comprised:

| | 2022 £ | 2021 £ |
|-----------------------|-----------|-----------|
| Wages and salaries | 6,106,397 | 5,237,707 |
| Social security costs | 427,400 | 353,135 |
| Pension costs | 109,031 | 66,551 |
| | 6,642,828 | 5,657,393 |

7 Directors' remuneration

| | 2022 £ | 2021 £ |
|---|-----------|-----------|
| Remuneration for qualifying services | 301,613 | 214,021 |
| Company pension contributions to defined contribution schemes | 3,279 | 2,977 |
| | 304,892 | 216,998 |

THE HOTEL FOLK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

7 Directors' remuneration

(Continued)

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2021 - 3).

Remuneration disclosed above include the following amounts paid to the highest paid director:

| | 2022 £ | 2021 £ |
|---|----------------|----------------|
| Remuneration for qualifying services | 130,625 | 100,000 |
| Company pension contributions to defined contribution schemes | 1,321 | 1,317 |
| | <u>131,946</u> | <u>101,317</u> |

8 Interest receivable and similar income

| | 2022 £ | 2021 £ |
|---------------------------|-----------|-----------|
| Interest income | | |
| Interest on bank deposits | - | 90 |
| | <u>-</u> | <u>90</u> |

| | 2022 £ | 2021 £ |
|--|-----------|-----------|
| Investment income includes the following: | | |
| Interest on financial assets not measured at fair value through profit or loss | - | 90 |
| | <u>-</u> | <u>90</u> |

9 Interest payable and similar expenses

| | 2022 £ | 2021 £ |
|--|----------------|----------------|
| Interest on financial liabilities measured at amortised cost: | | |
| Interest on bank overdrafts and loans | 475,604 | 478,592 |
| Other finance costs: | | |
| Interest on finance leases and hire purchase contracts | 2,052 | 2,323 |
| | <u>477,656</u> | <u>480,915</u> |

10 Taxation

| | 2022 £ | 2021 £ |
|--|----------------|----------------|
| Current tax | | |
| UK corporation tax on profits for the current period | 127,807 | 175,236 |
| Adjustments in respect of prior periods | 1,288 | 1,975 |
| | <u>129,095</u> | <u>177,211</u> |

THE HOTEL FOLK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

10 Taxation (Continued)

| | 2022 £ | 2021 £ |
|--|-------------------|-------------------|
| Deferred tax | | |
| Origination and reversal of timing differences | 154,531 | 282,403 |
| | <u> </u> | <u> </u> |
| Total tax charge | 283,626 | 459,614 |
| | <u> </u> | <u> </u> |

In March 2021, the UK government announced a change in the main rate of Corporation Tax 19% to 25% with effect from 1 April 2023. The majority of the deferred tax liability recognised in these financial statements is expected to unwind after 1 April 2023 and therefore the proposed change to the Corporation Tax rate has increased the liability by £268,199 (2021: £238,978).

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

| | 2022 £ | 2021 £ |
|--|-------------------|-------------------|
| Profit before taxation | 1,089,347 | 666,290 |
| | <u> </u> | <u> </u> |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%) | 206,976 | 126,595 |
| Tax effect of expenses that are not deductible in determining taxable profit | 3,905 | 4,402 |
| Gains not taxable | (47,500) | - |
| Adjustments in respect of prior years | - | 1,976 |
| Effect of change in corporation tax rate | 37,088 | 238,978 |
| Fixed asset differences | 50,530 | 87,663 |
| Chargeable gains | 32,627 | - |
| | <u> </u> | <u> </u> |
| Taxation charge for the year | 283,626 | 459,614 |
| | <u> </u> | <u> </u> |

11 Dividends

| | 2022 £ | 2021 £ |
|------------|-------------------|-------------------|
| Final paid | 200,000 | - |
| | <u> </u> | <u> </u> |

The proposed final dividend for the year ended 30 September 2022 is:

| | Per share Pence | 2022 Total £ | 2021 Total £ |
|-----------------|--------------------|--------------------|--------------------|
| Ordinary shares | 12.46 | 300,000 | 200,000 |
| | <u> </u> | <u> </u> | <u> </u> |

THE HOTEL FOLK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

11 Dividends

(Continued)

The proposed final dividend is subject to approval by shareholders and has not been included as a liability in these financial statements.

12 Intangible fixed assets

| | Goodwill £ |
|---|---------------|
| Cost | |
| At 1 October 2021 and 30 September 2022 | 387,474 |
| Amortisation and impairment | |
| At 1 October 2021 and 30 September 2022 | 387,474 |
| Carrying amount | |
| At 30 September 2022 | - |
| At 30 September 2021 | - |

The goodwill, which has been fully amortised, is in respect of the acquisition of a hotel business.

13 Tangible fixed assets

| | Land and buildings Freehold £ | Land and buildings Leasehold £ | Plant and machinery £ | Motor vehicles £ | Total £ |
|------------------------------------|--|---|-----------------------------|---------------------|------------|
| Cost | | | | | |
| At 1 October 2021 | 22,665,768 | 619,500 | 7,056,957 | 28,695 | 30,370,920 |
| Additions | 88,866 | - | 813,133 | - | 901,999 |
| Disposals | - | - | (13,880) | - | (13,880) |
| At 30 September 2022 | 22,754,634 | 619,500 | 7,856,210 | 28,695 | 31,259,039 |
| Depreciation and impairment | | | | | |
| At 1 October 2021 | 4,302,086 | 36,922 | 4,511,884 | 21,629 | 8,872,521 |
| Depreciation charged in the year | 319,903 | 8,260 | 446,662 | 1,766 | 776,591 |
| Eliminated in respect of disposals | - | - | (9,895) | - | (9,895) |
| At 30 September 2022 | 4,621,989 | 45,182 | 4,948,651 | 23,395 | 9,639,217 |
| Carrying amount | | | | | |
| At 30 September 2022 | 18,132,645 | 574,318 | 2,907,559 | 5,300 | 21,619,822 |
| At 30 September 2021 | 18,363,682 | 582,578 | 2,545,073 | 7,066 | 21,498,399 |

THE HOTEL FOLK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

13 Tangible fixed assets

(Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

| | 2022 £ | 2021 £ |
|---------------------|-----------|-----------|
| Plant and machinery | 102,507 | 120,596 |

Freehold land and buildings with a carrying amount of £18,059,685 (2021 - £18,011,361) have been pledged to secure borrowings of the company. The company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

14 Investment property

2022
£

Fair value

| | |
|--|-----------|
| At 1 October 2021 | 1,150,000 |
| Net gains or losses through fair value adjustments | 250,000 |
| At 30 September 2022 | 1,400,000 |

Investment property comprises two properties held to earn rentals and/or capital appreciation. The fair value of the investment property has been arrived at by the directors on the basis of valuations carried out during the period by an independent valuer, Cristie & Co, and by reference to the original purchase price of the properties. The external valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties.

15 Fixed asset investments

| | Notes | 2022 £ | 2021 £ |
|-----------------------------|-------|-----------|-----------|
| Investments in subsidiaries | 16 | 300 | 300 |
| Unlisted investments | | 2 | 2 |
| | | 302 | 302 |

16 Subsidiaries

Details of the company's subsidiaries at 30 September 2022 are as follows:

| Name of undertaking | Registered office | Class of shares held | % Held Direct |
|--------------------------|-------------------|----------------------|---------------|
| Exploits Limited | England & Wales | Ordinary shares | 100.00 |
| Son and Sun Limited | England & Wales | Ordinary shares | 100.00 |
| Aldeburgh Hotels Limited | England & Wales | Ordinary shares | 100.00 |

THE HOTEL FOLK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

16 Subsidiaries

(Continued)

The investments in subsidiaries are stated at cost less impairment.

All of the subsidiary companies are dormant.

The Registered Office of each of the subsidiaries is Thorpeness Golf Club, Lakeside Avenue, Thorpeness, Suffolk, IP16 4NH.

17 Stocks

| | 2022 | 2021 |
|-------------------------------------|---------|---------|
| | £ | £ |
| Finished goods and goods for resale | 234,333 | 197,366 |

18 Debtors

| | 2022 | 2021 |
|---|---------|---------|
| | £ | £ |
| Amounts falling due within one year: | | |
| Trade debtors | 216,950 | 261,311 |
| Other debtors | 55,114 | 75,810 |
| Prepayments and accrued income | 490,240 | 317,609 |
| | 762,304 | 654,730 |

19 Creditors: amounts falling due within one year

| | | 2022 | 2021 |
|------------------------------------|-------|-----------|-----------|
| | Notes | £ | £ |
| Bank loans and overdrafts | 21 | 2,945,547 | 1,465,770 |
| Obligations under finance leases | 22 | 21,982 | 27,723 |
| Trade creditors | | 806,645 | 677,012 |
| Amounts owed to group undertakings | | 301 | 301 |
| Corporation tax | | 127,807 | 175,236 |
| Other taxation and social security | | 703,353 | 373,559 |
| Other creditors | | 1,392,462 | 1,567,080 |
| Accruals and deferred income | | 372,811 | 306,897 |
| | | 6,370,908 | 4,593,578 |

THE HOTEL FOLK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

20 Creditors: amounts falling due after more than one year

| | Notes | 2022 £ | 2021 £ |
|----------------------------------|-------|-------------------|-------------------|
| Debenture loans | 21 | 56,500 | 56,500 |
| Bank loans and overdrafts | 21 | 12,024,878 | 14,206,458 |
| Obligations under finance leases | 22 | 54,768 | 80,945 |
| | | <u>12,136,146</u> | <u>14,343,903</u> |

21 Loans and overdrafts

| | 2022 £ | 2021 £ |
|-------------------------|-------------------|-------------------|
| Debenture loans | 56,500 | 56,500 |
| Bank loans | 14,683,793 | 15,319,104 |
| Bank overdrafts | 286,632 | 353,124 |
| | <u>15,026,925</u> | <u>15,728,728</u> |
| Payable within one year | 2,945,547 | 1,465,770 |
| Payable after one year | <u>12,081,378</u> | <u>14,262,958</u> |

The loans and overdraft are secured by a first legal charge over the freehold properties of the company.

Bank loans comprise of four loans, repayable in instalments until December 2023. The weighted average interest rate on these loans during the year was 3.24%.

22 Finance lease obligations

| | 2022 £ | 2021 £ |
|---|----------------|----------------|
| Future minimum lease payments due under finance leases: | | |
| Within one year | 28,248 | 28,248 |
| In two to five years | 56,496 | 84,744 |
| | <u>84,744</u> | <u>112,992</u> |
| Less: future finance charges | <u>(7,994)</u> | <u>(4,324)</u> |
| | <u>76,750</u> | <u>108,668</u> |

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. No restrictions are placed on the use of the assets.

THE HOTEL FOLK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

23 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| | Liabilities 2022 £ | Liabilities 2021 £ |
|--------------------------------|--------------------------|--------------------------|
| Balances: | | |
| Accelerated capital allowances | 504,045 | 392,443 |
| Capital gains | 646,229 | 603,300 |
| | <u>1,150,274</u> | <u>995,743</u> |
| Movements in the year: | | 2022 £ |
| Liability at 1 October 2021 | | 995,743 |
| Charge to profit or loss | | 154,531 |
| Liability at 30 September 2022 | | <u>1,150,274</u> |

The deferred tax liability in respect of accelerated capital allowances set out above is expected to reverse in line with the depreciation of tangible fixed assets. The deferred tax in respect of capital gains is expected to reverse when the associated properties are sold.

24 Retirement benefit schemes

| | 2022 £ | 2021 £ |
|---|----------------|---------------|
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | <u>109,031</u> | <u>66,551</u> |

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

25 Share capital

| | 2022 Number | 2021 Number | 2022 £ | 2021 £ |
|---|------------------|------------------|------------------|------------------|
| Ordinary share capital Issued and fully paid | | | | |
| Ordinary shares of £1 each | <u>2,408,263</u> | <u>2,408,263</u> | <u>2,408,263</u> | <u>2,408,263</u> |

26 Share premium account

| | 2022 £ | 2021 £ |
|--------------------------------------|----------------|----------------|
| At the beginning and end of the year | <u>169,390</u> | <u>169,390</u> |

THE HOTEL FOLK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

27 Merger reserve

| | 2022 £ | 2021 £ |
|--------------------------------------|-----------|-----------|
| At the beginning and end of the year | 408,470 | 408,470 |

The merger reserve was created on the transfer of assets from Aldeburgh Hotels Limited on 1 April 2002.

28 Profit and loss reserves

| | 2022 £ | 2021 £ |
|---|-----------|-----------|
| At the beginning of the year | 1,103,546 | 896,870 |
| Profit for the year | 805,721 | 206,676 |
| Dividends declared and paid in the year | (200,000) | - |
| At the end of the year | 1,709,267 | 1,103,546 |

29 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2022 £ | 2021 £ |
|----------------------------|-----------|-----------|
| Within one year | 6,656 | 23,050 |
| Between two and five years | 10,763 | 17,419 |
| | 17,419 | 40,469 |

30 Related party transactions

Remuneration of key management personnel

Key management are considered to be the directors of the company.

Other information

During the year the Company made purchases totalling £273,398 (2021: £232,457) from companies under common directorship. The Company expensed professional services totalling £176,770 (2021: £150,000) from entities under common control.

At the period end £42,841 (2021: £37,493) was owed to these related parties.

A further £220,010 (2021: £275,010) was owed to an individual with control over the entity,

During the period, sales totalling £26,950 (2021: £24,338) were made to entities under common control or directorship.

At the period end £69,348 (2021: £71,109) was owed by these entities to the Company.

THE HOTEL FOLK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

31 Ultimate controlling party

The company is controlled by the MGH Heald 1993 Settlement.

32 Cash generated from operations

| | 2022 £ | 2021 £ |
|--|------------------|------------------|
| Profit for the year after tax | 805,721 | 206,676 |
| Adjustments for: | | |
| Taxation charged | 283,626 | 459,614 |
| Finance costs | 477,656 | 480,915 |
| Investment income | - | (90) |
| Loss/(gain) on disposal of tangible fixed assets | 3,985 | (2,774) |
| Fair value gain on investment properties | (250,000) | - |
| Amortisation and impairment of intangible assets | - | 127,311 |
| Depreciation and impairment of tangible fixed assets | 776,591 | 645,451 |
| Movements in working capital: | | |
| Increase in stocks | (36,967) | (13,647) |
| Increase in debtors | (107,574) | (83,601) |
| Increase in creditors | 350,723 | 71,846 |
| Cash generated from operations | 2,303,761 | 1,891,701 |

33 Analysis of changes in net debt

| | 1 October 2021 £ | Cash flows £ | 30 September 2022 £ |
|----------------------------------|---------------------|-----------------|---------------------------|
| Cash at bank and in hand | 522,096 | (186,139) | 335,957 |
| Bank overdrafts | (353,124) | 66,492 | (286,632) |
| | 168,972 | (119,647) | 49,325 |
| Borrowings excluding overdrafts | (15,375,604) | 635,311 | (14,740,293) |
| Obligations under finance leases | (108,668) | 31,918 | (76,750) |
| | (15,315,300) | 547,582 | (14,767,718) |

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