

Company Registration No. 00044514 (England and Wales)

HYDRO HOTEL, EASTBOURNE, PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2016



HYDRO HOTEL, EASTBOURNE, PLC

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HYDRO HOTEL, EASTBOURNE, PLC

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 2016

Results for year ended 31 October 2016

I am pleased to report an improvement in the company's results for the year ended 31 October 2016. Sales for the year totalled £3,208,172, an increase of 2.5% on the £3,129,504 sales for the previous year (2015 2.0% increase). Operating profit for the year increased to £213,657 (2015 £120,006). After interest receivable and the corporation tax charge, the post-tax profits for the year were £176,184 (2015 £103,617). With the improvement in post-tax profits for the year and with the company having strong reserves and assets, the Board decided to increase the dividend to 21p per share (2015 18p per share) absorbing £126,000 (2015 £108,000).

Management are mindful of the impact on the hotel's operating costs of the increase in the national minimum wage as from 1 October 2016 and further increases to the national living wage as from 1 April 2017, and will be reviewing accordingly the pricing of the hotel's services.

Developments since 31 October 2016

The Board was pleased to welcome Jonathan Owen to the hotel as our new general manager. Jonathan started work at the hotel in May 2016 and was invited by the Board to develop a strategy for the hotel for the 2016/17 trading year.

Since joining the hotel, Jonathan has reviewed the sales operations and has introduced new marketing techniques from which the hotel has benefited in the period to 31 October 2016 and into the new financial year.

Jonathan plans to increase the number of weddings and other celebrations and functions held and has commenced a programme of refurbishment of the hotel's public areas to enhance our offer to these markets. The Drawing Room and Wedgwood Room were refurbished during the year ended 31 October 2016 and the Garden Suite will be refurbished early in 2017. The cycle of bedroom refurbishments will also recommence in 2017, now that Jonathan has determined his priorities.

Essential repair work to the fabric of the building as identified in the Gould and Company reports will be undertaken in 2017 but every effort will be made to minimise any obscuring of the façade of the building by scaffolding that may be required.

The Board wishes to advise shareholders that, as from 1 January 2017, ISDX will have changed its name to NEX Exchange.

Our Staff

The Board looks to refreshing its membership, to ensure an appropriate range of skills and experience and we were pleased to appoint our company secretary, Mrs Sally A Gausden BA FCA to the Board as a non-executive director as from 13 December 2016.

As previously noted, we welcomed Jonathan Owen to the hotel as our new general manager in May 2016. I wish to record our thanks to our management team and all of our staff for their dedication to the hotel and particularly to those members of staff who took on extra responsibilities in the interregnum between managers. All staff continued to deliver the Hydro's renowned quality of service which our customers value so much and this is reflected in our results for the year.

Graeme C King, MA, CA
Chairman of the Board

24 January 2017

HYDRO HOTEL, EASTBOURNE, PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 OCTOBER 2016

The directors present the strategic report for the year ended 31 October 2016.

Strategy

The company has been operating the 81 bedroom Hydro Hotel, Mount Road, Eastbourne, which it owns freehold, since 1895. The company has operated additional premises in the past and the directors continue to review whether to expand the business to operate from additional locations, but for the time being have decided to focus on maximising the business at Hydro Hotel.

Hydro Hotel aims to be the pre-eminent traditional hotel in the Eastbourne area, offering a high quality product with excellent service, giving perceived value for money to our customers. The Board continues to invest in our core facilities of bedrooms, public rooms, function rooms, and kitchens, and we have agreed that additional investment in new facilities should be designed to appeal to the next generation of customers with the income to enjoy what the Hydro has to offer, to enable the company to refresh its customer base and position it to be able to achieve higher margins.

Risk factors

Risks regularly reviewed by the directors which could materially affect the company's business are:

Reputational risk - The company must consistently ensure that its offering to customers and the delivery of service meets their requirements, and adjusts to changes in market trends over time.

Staffing risk - The company must recruit, train, and retain sufficient high quality staff to enable it to deliver its service to customers.

Hotel facility deterioration - The company must continually invest to refresh its facilities, and if necessary change its offering, to meet the requirements of the market.

Demographics - The company's marketing needs to refresh its customer base as the circumstances of existing regular users change over time.

Fire, Health and Safety, and Environmental Health - The company must ensure that its premises and practices provide a safe environment for guests and staff, and comply with regulations.

Financial Risk - Treasury activities take place under procedures and policies approved and monitored by the Board. They are designed to minimise the financial risks faced by the company, i.e. liquidity risk, credit risk and interest rate risk. The Board considers that the company is not exposed to price risk or foreign exchange risk.

Liquidity risk - The company manages its liquidity to ensure that sufficient funds are available for ongoing operations and future developments whilst seeking to maximise interest income and minimise interest expense. At 31 October 2016 the company had immediately available cash balances of £1,391,644 and no borrowings (2015 £650,831 and Nil). Accordingly the liquidity risk is considered to be low.

Credit risk - The company's principal financial assets are cash balances and trade debtors. Credit risk on cash balances is mitigated as the Board only deposits funds with regulated institutions which have high credit ratings. Trade debtor balances are monitored on an ongoing basis and provision is made for doubtful debts as necessary. As most customers pay by cash, credit or debit card, trade debtors were just 11.5% of net current assets at 31 October 2016 (2015 13.2%) and accordingly the credit risk is considered relatively low.

Interest rate risk - The company is exposed to interest rate risk on its cash balances. The Board monitors interest rates available for the company's funds taking into account the company's liquidity and credit risk requirements.

General economic situation in the UK - The company is liable to be affected by changes in customer and business sector confidence and spending power, and may need to adjust its operations accordingly.

HYDRO HOTEL, EASTBOURNE, PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

Performance measurement and key performance indicators

In order to measure the success of the company in meeting its objectives and to evaluate the performance of management, the directors review the following key performance indicators at their regular Board meetings:

- Turnover
- Revpar (Revenue Achieved Per Available Room)
- Food and beverage sales and gross profit achieved
- Staff costs and overheads, compared to sales
- Cash balances

The directors also review marketing activities undertaken and planned, future bookings, feedback from customers on service provided, employee changes, capital and refurbishment plans, and budgets and expenditure.

Performance in the year ended 31 October 2016

During the year ended 31 October 2016 the company increased its turnover by 2.5% (2015 increase of 2.0%), and improved Revpar by 7.0% (2015 6.8%). In spite of very competitive pricing conditions continuing to affect food and beverage sales, the company achieved an overall increase in gross profit on those lines of 3.7% (2015 increase of 2.1%). Staff costs and overheads, as a proportion of sales, reduced by 1.2% (2015 increase of 0.34%). Cash balances at 31 October 2016 were £1,391,644 (2015 £1,150,831).

The company's operating profit before interest receivable and tax increased to £213,657 from the 2015 operating profit of £120,006.

The company's post tax profit was £176,184 (2015 £103,617), and with the company's strong cash position the Board felt able to declare increased dividends totalling £126,000 to be payable in 2017.

The company generated cash from operating activities of £447,085 (2015 £289,109) and invested £79,184 (2015 £119,618) in new fixed assets which included refurbishing some of the public areas, including the Wedgwood Room and the Drawing Room.

During the year the company paid ordinary dividends in respect of the year ended 31 October 2015 of £108,000 (2015 £108,000). At the year end the company had a satisfactory net current asset position of £976,933 (2015 £818,033).

This report was approved by the Board of directors on 24 January 2017 and signed by order of the Board by

Mrs S A Gausden, BA, FCA
Secretary

Mount Road
Eastbourne
East Sussex
BN20 7HZ

HYDRO HOTEL, EASTBOURNE, PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 OCTOBER 2016

The directors submit their report and the audited financial statements for the year ended 31 October 2016.

Principal activities

The company carries on the business of hoteliers. It has no subsidiary companies.

Share capital

The company's shares are traded on the NEX Exchange (formerly the ISDX Growth Market).

Directors

C P Freeman retires by rotation and being eligible, offers himself for re-appointment.

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

C J Bean LL.B(Hons)	
C P Freeman, FCA, CTA(Fellow)	
Mrs S A Gausden, BA, FCA	(Appointed 13 December 2016)
G C King, MA, CA	
Mrs M R Peck, MA(Oxon)	(Retired 29 March 2016)
J D Tuhey BA(Hons) Dip BM	
I A Turnbull MIH	(Resigned 29 February 2016)

I A Turnbull was an executive director, and the other directors are non-executive.

Results and dividends

An interim dividend at the rate of 7.0p per share has been declared by the directors and paid on 19 January 2017 to shareholders on the register on 23 December 2016 amounting to £42,000 and a second interim dividend at the rate of 14.0p per share amounting to £84,000 has been declared by the directors for payment on 4 May 2017 to shareholders on the register on 21 April 2017. The directors do not propose the payment of a final dividend.

Directors' interests

The directors' interests in the shares of the company were as stated below:

	2016	2015
C J Bean LL.B(Hons)	750	750
C P Freeman, FCA, CTA(Fellow)	5,000	4,250
G C King, MA, CA	10,000	10,000
Mrs M R Peck, MA(Oxon)	- beneficial	5,111
	- non-beneficial	5,000
J D Tuhey BA(Hons) Dip BM	275	275
I A Turnbull MIH	-	500

Directors' insurance

To preclude the possibility of the company incurring expenses which might arise from the need to indemnify a director from claims made against him or her or the cost associated with their defence, the company has effected directors' liability insurance as permitted by the Companies Act 2006.

HYDRO HOTEL, EASTBOURNE, PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

Future developments

A programme of refurbishment of the hotel's public areas has commenced to enhance the offering to the weddings, celebrations and functions markets. The Garden Suite will be refurbished early in 2017 and the cycle of bedroom refurbishments will also recommence in 2017.

Essential repair work to the fabric of the building as identified in the Gould and Company reports will be undertaken in 2017.

Statement of directors' responsibilities

The directors are responsible for preparing 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The financial statements are required by law to 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 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 directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Matters covered in the strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial risk.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually 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 auditor is aware of that information.

This report was approved by the Board of directors on 24 January 2017 and signed by order of the Board by

Mrs S A Gausden, BA, FCA
Secretary
24 January 2017

HYDRO HOTEL, EASTBOURNE, PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HYDRO HOTEL, EASTBOURNE, PLC

We have audited the financial statements of Hydro Hotel, Eastbourne, plc for the year ended 31 October 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and 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".

Respective responsibilities of directors and auditor

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

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. 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC'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 October 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 matters prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

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

Mike Bailey (Senior Statutory Auditor)
for and on behalf of Mazars LLP

24 January 2017

Chartered Accountants
Statutory Auditor
Times House
Throwley Way
Sutton
Surrey
SM1 4JQ

HYDRO HOTEL, EASTBOURNE, PLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 OCTOBER 2016

	Notes	2016 £	2015 £
Turnover	3	3,208,172	3,129,504
Cost of sales		(2,771,219)	(2,820,812)
Gross profit		<u>436,953</u>	<u>308,692</u>
Administrative expenses		(223,296)	(188,686)
Operating profit	4	<u>213,657</u>	<u>120,006</u>
Interest receivable and similar income	8	10,695	13,570
Profit before taxation		<u>224,352</u>	<u>133,576</u>
Taxation	9	(48,168)	(29,959)
Profit for the financial year		<u><u>176,184</u></u>	<u><u>103,617</u></u>
Earnings per share	23	29.36p	17.27p

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

HYDRO HOTEL, EASTBOURNE, PLC

STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2016

	Notes	2016		2015	
		£	£	£	£
Fixed assets					
Tangible assets	11		2,459,247		2,557,464
Current assets					
Stocks	12	33,863		29,189	
Debtors	13	138,621		128,963	
Investments	14	-		500,000	
Cash at bank and in hand		1,391,644		650,831	
		<u>1,564,128</u>		<u>1,308,983</u>	
Creditors: amounts falling due within one year	15	<u>(587,195)</u>		<u>(490,950)</u>	
Net current assets			976,933		818,033
Total assets less current liabilities			<u>3,436,180</u>		<u>3,375,497</u>
Provisions for liabilities	16		(71,811)		(79,312)
Net assets			<u><u>3,364,369</u></u>		<u><u>3,296,185</u></u>
Capital and reserves					
Called up share capital	19	600,000		600,000	
Revaluation reserve		424,046		428,325	
Profit and loss reserves		2,340,323		2,267,860	
Total equity			<u><u>3,364,369</u></u>		<u><u>3,296,185</u></u>

The financial statements were approved by the board of directors and authorised for issue on 24 January 2017 and are signed on its behalf by:

C J Bean LL.B(Hons)
Director

C P Freeman, FCA, CTA(Fellow)
Director

Company Registration No. 00044514

HYDRO HOTEL, EASTBOURNE, PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 OCTOBER 2016

	Notes	Share capital £	Revaluation reserve £	Profit and loss reserves £	Total £
Balance at 1 November 2014		600,000	432,604	2,267,964	3,300,568
Year ended 31 October 2015:					
Profit and total comprehensive income for the year		-	-	103,617	103,617
Dividends	10	-	-	(108,000)	(108,000)
Transfers		-	(4,279)	4,279	-
Balance at 31 October 2015		600,000	428,325	2,267,860	3,296,185
Year ended 31 October 2016:					
Profit and total comprehensive income for the year		-	-	176,184	176,184
Dividends	10	-	-	(108,000)	(108,000)
Transfers		-	(4,279)	4,279	-
Balance at 31 October 2016		600,000	424,046	2,340,323	3,364,369

HYDRO HOTEL, EASTBOURNE, PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 OCTOBER 2016

	Notes	2016 £	£	2015 £	£
Cash flows from operating activities					
Cash generated from operations	24	447,085		289,109	
Income taxes paid		(30,271)		(39,581)	
		<u>416,814</u>		<u>249,528</u>	
Net cash inflow from operating activities					
Investing activities					
Purchase of tangible fixed assets		(79,184)		(119,618)	
Proceeds on disposal of tangible fixed assets		488		-	
Proceeds from other investments and loans		500,000		(450,000)	
Interest received		10,695		13,570	
		<u>431,999</u>		<u>(556,048)</u>	
Net cash generated from/(used in) investing activities					
Financing activities					
Dividends paid		(108,000)		(108,000)	
		<u>(108,000)</u>		<u>(108,000)</u>	
Net cash used in financing activities					
Net increase/(decrease) in cash and cash equivalents					
		740,813		(414,520)	
Cash and cash equivalents at beginning of year		650,831		1,065,351	
		<u>1,391,644</u>		<u>650,831</u>	
Cash and cash equivalents at end of year					
Relating to:					
Cash at bank and in hand		<u>1,391,644</u>		<u>650,831</u>	

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2016

1 Accounting policies

Company information

Hydro Hotel, Eastbourne, plc is a public company limited by shares incorporated in England and Wales. The registered office is Hydro Hotel, Mount Road, Eastbourne, East Sussex, BN20 7HZ.

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 the revaluation of freehold properties. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 October 2016 are the first financial statements of Hydro Hotel, Eastbourne, plc prepared in accordance with FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The date of transition to FRS 102 was 1 November 2014. The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on the reported financial position and financial performance for the previous period.

Short-term deposits held on 31 October 2015 of £500,000, previously reported as cash at bank and in hand in the statement of financial position, are now shown as current asset investments in the statement of financial position, in accordance with the requirements of FRS 102.

As described in note 1.4 the directors have taken advantage of the transitional arrangements in FRS 102 to use a previous revaluation of freehold properties as deemed cost.

1.2 Going concern

The company's business activities, development and performance for the financial year, together with the factors likely to affect its future development, are set out in the Chairman's Statement and Strategic Report on pages 1 to 3. The Strategic Report also details its approach to managing financial risks. The company has considerable financial resources and no borrowings, and annually prepares a cash forecast for the 15 months ahead. Based on an assessment of these factors, the directors have a 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 the annual financial statements.

1.3 Turnover

Turnover is the value of goods and services sold to customers and guests after deducting discounts and VAT.

The hotel operates restaurant and bar facilities. Sales of goods are recognised when the restaurant or bar sells a product to a customer.

The hotel supplies conference and event facilities as well as hotel rooms to business and private customers. Sales of rooms and conference and event facilities are recognised on the dates those facilities are used. Deposits received in advance are not recognised as turnover until the day of the stay or event.

In the opinion of the directors the operations of the company comprise one class of business, being hoteliers. The company's main operations are all located within one location, Hydro Hotel.

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

1 Accounting policies

(Continued)

1.4 Tangible fixed assets

The directors adopted FRS 102 for the company's financial statements for the year ended 31 October 2016. The directors took advantage of the transitional arrangements available to use a previous revaluation of freehold properties, plus later additions, as deemed cost, and to continue to depreciate them over their remaining estimated useful lives. The freehold properties were revalued on 31 October 1990 by a firm of Chartered Surveyors on the open market value basis.

Other tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Freehold land	not depreciated
Buildings	100 years
Furniture and equipment	5, 10 or 15 years

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.

1.5 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).

1.6 Stocks

Stocks are stated at the lower of cost and net realisable value and comprise consumable provisions and stores.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand and deposits held at call with banks.

1.8 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.

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.

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets 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.

Basic financial liabilities

Basic financial liabilities, including creditors, and bank loans 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.

1.9 Taxation

The tax expense for the year comprises current and deferred tax. Tax currently payable, relating to corporation tax, is calculated on the basis of the 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 give 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 years 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 recognised only 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.

1.10 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.

1.11 Retirement benefits

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

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

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.

Critical judgements

There are no judgements made by the directors (apart from those involving estimates) that have a significant effect on amounts recognised in the financial statements.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Depreciation and residual values

The directors have reviewed the asset lives and associated residual values of freehold properties and have concluded that asset lives and residual values are appropriate.

3 Turnover and other revenue

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

	2016	2015
	£	£
Turnover		
Sales of rooms, conferences and events	1,176,192	1,112,245
Sales from restaurant and bar	2,031,980	2,017,259
	<u>3,208,172</u>	<u>3,129,504</u>

Turnover analysed by geographical market

	2016	2015
	£	£
United Kingdom	<u>3,208,172</u>	<u>3,129,504</u>

4 Operating profit

	2016	2015
	£	£
Operating profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	169,171	192,452
Loss on disposal of tangible fixed assets	7,742	180
Cost of stocks recognised as an expense	613,089	648,860
	<u>890,002</u>	<u>841,492</u>

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

5 Auditor's remuneration

	2016	2015
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the company's financial statements	14,507	13,638
For other services		
Services relating to corporate finance services	4,100	4,100

6 Employees

The average monthly number of persons employed by the company during the year was:

	2016	2015
	Number	Number
Management and administrative	11	11
Operational	76	79
	87	90

Their aggregate remuneration comprised:

	2016	2015
	£	£
Wages and salaries	1,211,174	1,190,212
Social security costs	71,106	69,540
Pension costs	16,273	20,025
	1,298,553	1,279,777

7 Directors' remuneration

	2016	2015
	£	£
Remuneration for qualifying services	63,016	97,152
Company pension contributions to defined contribution schemes	4,699	12,170
	67,715	109,322

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2015 - 1).

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

8 Interest receivable and similar income

	2016	2015
	£	£
Interest income		
Interest on bank deposits	10,695	13,570
	<u> </u>	<u> </u>

9 Taxation

	2016	2015
	£	£
Current tax		
UK corporation tax on profits for the current period	55,669	30,271
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	(7,501)	(312)
	<u> </u>	<u> </u>
 Total tax charge	 48,168	 29,959
	<u> </u>	<u> </u>

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:

	2016	2015
	£	£
Profit before taxation	224,352	133,576
	<u> </u>	<u> </u>
 Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20%)	44,870	26,715
Tax effect of expenses that are not deductible in determining taxable profit	1,549	36
Tax effect of income not taxable in determining taxable profit	-	(46)
Permanent capital allowances in excess of depreciation	9,250	3,566
Deferred tax adjustments in respect of prior years	(7,501)	(312)
	<u> </u>	<u> </u>
Taxation for the year	48,168	29,959
	<u> </u>	<u> </u>

At 31 October 2016, a deferred tax liability of £71,811 (2015 £79,312) has been recognised due to the reversal of timing differences and the additional tax liability expected to arise.

The rates of corporation tax will be reduced to 19% as of April 2017 and 17% as of April 2020. The overall effect of the changes in the tax rate from 20% to 17%, if these were applied to the deferred tax balance at 31 October 2016, would be to reduce the net deferred tax liability by approximately £10,000.

During the year beginning 1 November 2016, the net reversal of deferred tax liabilities is expected to reduce the corporation tax charge in the accounts for the year by £24,000. This is due to the effect of capital allowances being claimed earlier than depreciation charged.

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

10 Dividends

	2016 £	2015 £
Paid during the year:		
First interim dividend 6.0p (2015 6.0p)	36,000	36,000
Second interim dividend 12.0p (2015 12.0p)	72,000	72,000
	<u>108,000</u>	<u>108,000</u>

On 13 December 2016, the following dividends were declared: a first interim dividend of £42,000 (2015 £36,000) which was paid on 19 January 2017 to shareholders on the register on Friday 23 December 2016, and a second interim dividend of £84,000 (2015 £72,000) for payment on 4 May 2017 to shareholders on the register on Friday 21 April 2017.

11 Tangible fixed assets

	Freehold land and buildings £	Furniture and equipment £	Total £
Cost			
At 1 November 2015	2,015,563	2,514,688	4,530,251
Additions	3,084	76,100	79,184
Disposals	-	(40,752)	(40,752)
At 31 October 2016	<u>2,018,647</u>	<u>2,550,036</u>	<u>4,568,683</u>
Depreciation and impairment			
At 1 November 2015	170,668	1,802,119	1,972,787
Depreciation charged in the year	12,809	156,362	169,171
Eliminated in respect of disposals	-	(32,522)	(32,522)
At 31 October 2016	<u>183,477</u>	<u>1,925,959</u>	<u>2,109,436</u>
Carrying amount			
At 31 October 2016	<u>1,835,170</u>	<u>624,077</u>	<u>2,459,247</u>
At 31 October 2015	<u>1,844,895</u>	<u>712,569</u>	<u>2,557,464</u>

Land and buildings with a carrying amount of £1,835,170 were revalued at 31 October 1990 by a firm of Chartered Surveyors not connected with the company on the basis of market value.

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

11 Tangible fixed assets (Continued)

If revalued assets were stated on an historical cost basis rather than a deemed cost basis, the total amounts included would have been as follows:

	2016 £	2015 £
Cost	1,096,497	1,093,413
Accumulated depreciation	(110,738)	(102,207)
Carrying value	<u>985,759</u>	<u>991,206</u>

12 Stocks

	2016 £	2015 £
Consumable provisions and stores	<u>33,863</u>	<u>29,189</u>

13 Debtors

	2016 £	2015 £
Amounts falling due within one year:		
Trade debtors	112,730	107,858
Other debtors	3,382	3,754
Prepayments and accrued income	22,509	17,351
	<u>138,621</u>	<u>128,963</u>

14 Current asset investments

	2016 £	2015 £
Unlisted investments	<u>-</u>	<u>500,000</u>

Unlisted investments include short-term deposits deposited on 6 months' notice. Short-term deposits were previously included in cash at bank and in hand in the statement of financial position and are now shown as current asset investments.

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

15 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	148,593	134,837
Corporation tax	55,669	30,271
Other taxation and social security	186,997	171,086
Accruals and deferred income	195,936	154,756
	<u>587,195</u>	<u>490,950</u>

16 Provisions for liabilities

	Notes	2016 £	2015 £
Deferred tax liabilities	17	71,811	79,312
		<u>71,811</u>	<u>79,312</u>

17 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 2016 £	Liabilities 2015 £
Balances:		
Accelerated capital allowances	71,811	79,312
	<u>71,811</u>	<u>79,312</u>
Movements in the year:		2016 £
Liability at 1 November 2015		79,312
Credit to profit or loss		(7,501)
		<u>71,811</u>
Liability at 31 October 2016		<u>71,811</u>

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

18 Retirement benefit schemes

	2016	2015
	£	£
Charge to profit or loss in respect of defined contribution schemes	16,273	20,025

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.

At the balance sheet date, contributions amounting to £2,572 (2015 £407) had not been paid over to the fund and are included within creditors: amounts falling due within one year.

19 Share capital

	2016	2015
	£	£
Ordinary share capital		
Authorised		
600,000 of £1 each	600,000	600,000
Issued and fully paid		
600,000 of £1 each	600,000	600,000

The ordinary shares provide unrestricted rights to vote, participate in income distributions, participate in capital distributions including on winding up, and are irredeemable.

20 Related party transactions

Remuneration of key management personnel

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the company are considered to be key management personnel. Total remuneration in respect of these individuals is £106,182 (2015 - £109,322).

Transactions with related parties

Mr C P Freeman, director, and Mrs S A Gausden, the company secretary, are partners in Perkins Copeland, Chartered Accountants. This firm provided accountancy, taxation, secretarial and registration services to the company costing £48,400 during the year ended 31 October 2016 (2015 £47,180). The amount outstanding and due to Perkins Copeland at 31 October 2016 was £23,150 (2015 £23,150) and is included in creditors: amounts falling due within one year.

No other director was materially interested, either at the year end or during the year, in any contract of significance in relation to the business of the company.

No guarantees have been given or received.

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

21 Directors' transactions

Dividends totalling £3,536 (2015 £4,659) were paid in the year in respect of shares held by the company's directors.

22 Controlling party

The directors consider that there is no ultimate controlling party.

23 Earnings per share

	2016 £	2015 £
Earnings are based on the profit for the year	176,184	103,617
Earnings per share (basic and diluted)	29.36p	17.27p

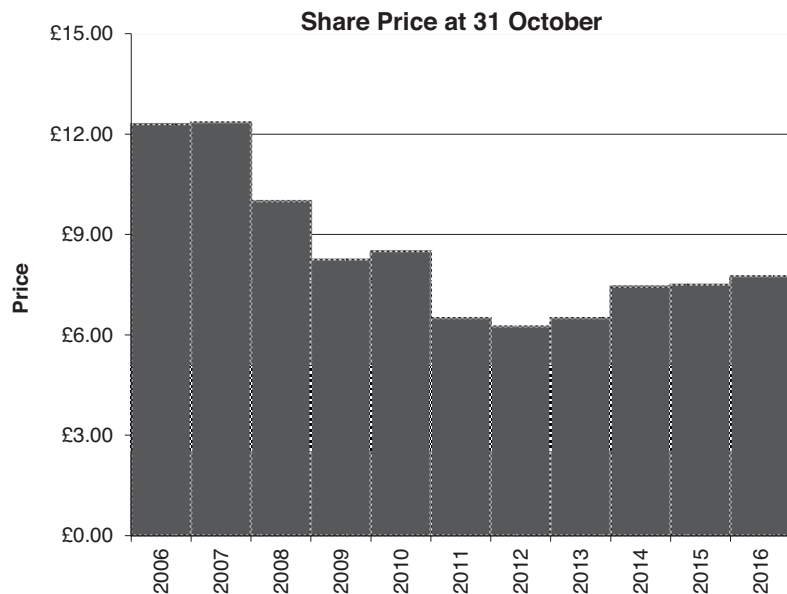
Earnings per share have been calculated using 600,000 shares, being the weighted average number of shares for both years. The company has no potential ordinary shares, therefore basic and diluted earnings per share is the same figure.

24 Cash generated from operations

	2016 £	2015 £
Profit for the year after tax	176,184	103,617
Adjustments for:		
Taxation charged	48,168	29,959
Interest receivable and similar income	(10,695)	(13,570)
Loss on disposal of tangible fixed assets	7,742	180
Depreciation and impairment of tangible fixed assets	169,171	192,452
Movements in working capital:		
(Increase)/decrease in stocks	(4,674)	5,134
(Increase) in debtors	(9,658)	(26,969)
Increase/(decrease) in creditors	70,847	(1,694)
Cash generated from operations	<u>447,085</u>	<u>289,109</u>

HYDRO HOTEL, EASTBOURNE, PLC

GENERAL INFORMATION



*Dividends p 26.0 27.0 27.0 27.0 27.0 18.0 18.0 18.0 18.0 18.0 #21.0

* Normal dividends declared for the year, excluding special distributions

Includes the dividends declared in December 2016

Registered Office:	Hydro Hotel Mount Road Eastbourne East Sussex BN20 7HZ	Auditor:	Mazars LLP Times House Throwley Way Sutton Surrey SM1 4JQ
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Company Registration No: 00044514

Company Secretary's Office:	Mrs S A Gausden Perkins Copeland 15 Gildredge Road Eastbourne East Sussex BN21 4RA	Bankers:	National Westminster Bank Plc 96 Terminus Road Eastbourne East Sussex BN21 3LX
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Share Transfer and Registration Department:

Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
West Midlands
B63 3DA

HYDRO HOTEL, EASTBOURNE, PLC

NOTICE IS HEREBY GIVEN that the ONE HUNDRED AND TWENTY SECOND ANNUAL GENERAL MEETING of the Company will be held at the HYDRO HOTEL, Mount Road EASTBOURNE, on the 20TH DAY OF MARCH 2017, at 11.30 am for the following purposes:

Resolutions

To consider and, if thought fit, to pass the following resolutions.

1. To receive the company's financial statements for the year ended 31 October 2016 and the reports of the directors and auditor thereon.
2. To re-appoint C P Freeman as director.
3. To re-appoint Mrs S A Gausden as director.
4. To vote directors' fees for the year ending 31 October 2017.
5. To re-appoint Mazars LLP as auditor to hold office until the conclusion of the next Annual General Meeting and to authorise the directors to fix their remuneration.

Registered Office
Mount Road
Eastbourne
East Sussex
BN20 7HZ

By Order of the Board,

MRS S A GAUSDEN, BA, FCA

24 January 2017

Secretary

NOTES TO THE NOTICE OF THE ANNUAL GENERAL MEETING

- (1) Holders of ordinary shares are entitled to attend, speak, and vote, either in person or by proxy, at General Meetings of the Company. On a vote by a show of hands, every member who is present has one vote and every proxy present who has been duly appointed by a member entitled to vote has one vote, unless the proxy has been appointed by more than one member and has been instructed by more than one member to vote for the resolution and by one or more members to vote against the resolution, in which case the proxy has one vote for and one against. On a poll vote, every member who is present in person or by proxy has one vote for every ordinary share of which he/she is the holder.
- (2) A corporation which is a member of the Company may authorise a person (who need not be a member of the Company) to act as its representative to attend, speak and vote (on a show of hands or a poll) on its behalf. The representative must produce on request a duly certified copy of the board resolution confirming the authorisation, plus an original passport or photo driving licence as proof of identity.
- (3) A member of the Company may appoint one or more proxies to attend, speak and vote instead of the member. A proxy of a member need not also be a member. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to a different share. Before an individual may be admitted to the meeting as proxy, he or she will be required to produce an original passport or photo driving licence as proof of identity.
- (4) The instrument appointing a proxy, and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited with the Company's Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA not less than 48 hours before the time for holding the meeting. A Form of Proxy accompanies this document for use by members.

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE NOTICE OF THE ANNUAL GENERAL MEETING (CONTINUED)

- (5) Completion of the Form of Proxy will not preclude a member from attending and voting in person.
- (6) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 as amended the Company specifies that only those shareholders registered in the Register of Members (the Register) of the Company as at 11.30am on 18 March 2017 (the Specified Time) shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their names at that time. Changes to entries on the Register for certificated or uncertificated shares of the Company after the Specified Time shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting. Should the Annual General Meeting be adjourned, to be so entitled shareholders must have been entered on the Register at the time which is 48 hours before the time fixed for the adjourned Annual General Meeting or, if the Company gives notice of the adjourned Annual General Meeting, at the time specified in the Notice.
- (7) CREST members who wish to appoint a Proxy or Proxies through the CREST electronic Proxy appointment service may do so for the Annual General Meeting and any adjournment thereof by using the procedures described in the CREST manual. CREST personal members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a Proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCO's specifications and must contain the information required for such instructions, as described in the CREST manual. All messages relating to the appointment of a Proxy or an instruction to a previously appointed Proxy must be transmitted so as to be received by Neville Registrars Limited (ID: 7RA11) no later than the Specified Time. Normal system timings and limitations will apply in relation to the input of CREST Proxy Instructions. It is therefore the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable their CREST sponsor(s) or voting service provider(s) are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 as amended.
- (8) As at 24 January 2017, being the last practicable date before the date of this Notice, there were 600,000 ordinary shares in issue, each with equal voting rights. The total number of voting rights in the Company as at 24 January 2017, being the last practicable date before the date of this Notice, is 600,000.