

**LEONARDO EDINBURGH LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2018**

**Company No: 10623026**



**LEONARDO EDINBURGH LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

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<b>CONTENTS</b>	<b>Page</b>
Directors' report	2
Independent Auditors' report	4
Income statement and statement of comprehensive income	6
Statement of changes in equity	7
Statement of financial position	8
Cash flow statement	9
Notes to the financial statements	10 - 17

# **LEONARDO EDINBURGH LIMITED**

## **COMPANY INFORMATION**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**Directors**

Daniel Roger

**Registered Office**

245 Broad Street  
Birmingham  
B1 2HQ

**Company number**

10623026

**Auditors**

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

# **LEONARDO EDINBURGH LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors present their annual report together with the audited financial statements for the year ended 31 December 2018.

As permitted by section 414B of the Companies Act 2006, the company is entitled to the small companies' exemption in relation to a strategic report.

### **RESULTS AND DIVIDENDS**

The Company made a profit after taxation of £173,048 (2017: loss after tax of £741,516). The company was incorporated on 16 February 2017 and completed a short period of account to 31 December 2017. The Directors do not propose a dividend (2017: £nil).

The company is expected to continue to improve results within the market.

### **PRINCIPAL ACITIVITY**

The principal activity is that of the operation the hotel in Edinburgh.

### **BREXIT IMPLICATIONS**

On 23 June 2016, the United Kingdom voted to formally resign its membership of the European Union and the date of leaving is currently set to be 31 October 2019. We do not expect Brexit to impact the company and the performance of the hotels.

### **DIRECTORS**

The Directors of the Company during the year are set out below:

Daniel Roger

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 International Reporting Standards ("IFRS") as adopted by the European Union ("EU") and to prepare the company financial statements in accordance with IFRS as adopted by the EU. 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 and profit or loss of the company for that year. In preparing these 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 they have been prepared in accordance with IFRSs adopted by the EU;
- 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.

# **LEONARDO EDINBURGH LIMITED**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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### **GOING CONCERN**

The company is in a net liabilities position of £567,468 and a related party has confirmed that they will not demand repayment of outstanding balances, until such time as the company has sufficient cash resources. The Director considers that this confirmation, in addition to the projected profitability of the company means that it is appropriate for the financial statements to be prepared on a going concern basis.

### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR**

In the case of each person who was a director at the time this report was approved:

- so far as that director is aware there is no relevant audit information of which the Company's auditor is unaware: and
- that director has taken all steps that the director ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

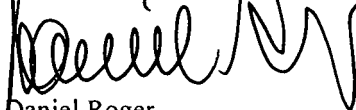
### **AUDITOR**

It is proposed that Mazars LLP will continue in office in accordance with the Companies act 2006 section 487(2).

### **SMALL COMPANY PROVISIONS**

The Directors' Report has been prepared in accordance with the special provisions relating to small companies within the Companies Act 2006.

SIGNED ON BEHALF OF THE BOARD



Daniel Roger  
Director

Date: 15.07.19

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF LEONARDO EDINBURGH LIMITED**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **Opinion**

We have audited the financial statements of Leonardo Edinburgh Limited (the 'company') for the year ended 31 December 2018 which comprise the Income Statement and Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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.

#### **The impact of uncertainties due to the United Kingdom exiting the European Union on our audit**

Directors' view on the impact of Brexit is disclosed on page 2. Although the uncertainties relating to the effects of Brexit are relevant to the audit of the financial statements, the terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is difficult to evaluate all the potential implications to the company's trade, customers, suppliers and the wider economy.

As a result, we applied a standard firm wide approach in response to that uncertainty when assessing company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for the company and this is particularly the case in relation to Brexit.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

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

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

We have nothing to report in this regard.

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF LEONARDO EDINBURGH LIMITED**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

#### **Matters on which we are required to report by exception**

In 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 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 2, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of the audit 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.



Jonathan Seaman (Senior Statutory Auditor)  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
Tower Bridge House  
St Katharine's Way  
London E1W 1DD  
Date: 16 July 2019.

**LEONARDO EDINBURGH LIMITED****INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	Year ended 31 December 2018 £	Period Ended 31 December 2017 £
<b>REVENUE</b>			
Room		7,115,614	5,431,291
Food and Beverage		1,024,820	587,937
Other		155,036	77,306
<b>TOTAL REVENUE</b>	3	8,295,470	6,096,534
Cost of sales	4	(2,928,618)	(2,644,874)
<b>GROSS PROFIT</b>		5,366,852	3,451,660
Selling and marketing expenses		(969,388)	(118,533)
Administrative expenses		(610,323)	(516,308)
Rental expense		(2,856,177)	(2,478,062)
Opening costs		-	(633,580)
<b>OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION</b>		930,964	(294,823)
Depreciation	8	(485,698)	(331,299)
<b>OPERATING PROFIT/(LOSS)</b>		445,266	(626,122)
Net finance expense	6	(238,281)	(206,798)
<b>PROFIT/(LOSS) FOR THE YEAR/PERIOD BEFORE TAXATION</b>		206,985	(832,920)
Deferred taxes	7	(33,937)	91,404
<b>NET PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD</b>		173,048	(741,516)

All turnover is derived from continuing operations.

The accompanying accounting policies and notes form an integral part of these financial statements.



**LEONARDO EDINBURGH LIMITED****STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2018**

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	<b>Share capital £</b>	<b>Retained Losses £</b>	<b>Total Equity £</b>
Balance at 1 January 2018	1,000	(741,516)	(740,516)
Profit for the year and total comprehensive income for the year	-	173,048	173,048
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	<u>1,000</u>	<u>(568,468)</u>	<u>(567,468)</u>

**STATEMENT OF CHANGES IN EQUITY****FOR THE PERIOD ENDED 31 DECEMBER 2017**

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	<b>Share capital £</b>	<b>Retained Losses £</b>	<b>Total Equity £</b>
Share issue	1,000	-	1,000
Loss for the period and total comprehensive loss for the year	-	(741,516)	(741,516)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	<u>1,000</u>	<u>(741,516)</u>	<u>(740,516)</u>

The accompanying accounting policies and notes are an integral part of these financial statements.

**LEONARDO EDINBURGH LIMITED****STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2018****Company number: 10623026**

	Note	2018 £	2017 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible fixed assets	8	6,144,272	6,457,844
<b>Current assets</b>			
Inventories	9	16,135	14,611
Trade and other receivables	10	2,593,749	1,608,378
Cash and cash equivalents	11	854,881	1,300,838
		3,464,765	2,923,827
<b>TOTAL ASSETS</b>		<b>9,609,037</b>	<b>9,381,671</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the shareholders of the company</b>			
Share capital	14	1,000	1,000
Retained earnings		(568,468)	(741,516)
<b>Total shareholder's deficit</b>		<b>(567,468)</b>	<b>(740,516)</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	1,014,798	1,007,354
<b>Long term liabilities</b>			
Amounts owed to group undertakings	13	7,823,706	7,707,120
Deferred rent liability	13	1,338,001	1,407,713
<b>Total liabilities</b>		<b>10,176,505</b>	<b>10,122,187</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,609,037</b>	<b>9,381,671</b>

These financial Statements were approved by the Board of Directors and were signed on its behalf by:

  
**Daniel Roger**  
**Director**

Date: 15.07.19

The accompanying accounting policies and notes are an integral part of these financial statements.

**LEONARDO EDINBURGH LIMITED**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) after taxation		173,048	(741,516)
Adjustments to the profit and loss items:			
Depreciation		485,698	331,298
Financial expenses, net		238,281	206,798
Taxes on income		33,937	(91,404)
Changes in asset and liability items:			
(Increase) in inventories		(1,524)	(14,611)
(Increase) in trade and other receivables		(1,193,057)	(1,516,974)
Increase in trade and other payables		7,444	1,155,128
(Decrease)/increase in deferred rent liability		(69,712)	1,407,713
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		<b>(325,885)</b>	<b>736,432</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of tangible fixed assets		(172,126)	(6,789,142)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(172,126)</b>	<b>(6,789,142)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of shares		-	1,000
Increase in group undertaking receivables		(64,532)	
Amounts received from group undertakings		116,586	7,509,920
Repayment of amounts owed to group undertakings		-	(157,373)
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<b>52,054</b>	<b>7,353,548</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(445,957)</b>	<b>1,300,838</b>
Cash and cash equivalents brought forward		1,300,838	-
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	11	<b>854,881</b>	<b>1,300,838</b>

The accompanying accounting policies and notes are an integral part of these financial statements.

# LEONARDO EDINBURGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1. GENERAL INFORMATION

Leonardo Edinburgh Limited is a private limited company incorporated in the United Kingdom. The address of its registered office is 245 Broad Street, Birmingham, B1 2HQ and the address of its principal activities is Leonardo Royal Edinburgh, 1 Morrison Link, EH3 8DN Edinburgh. The Company's principal activities are that of a hotelier.

#### 2. ACCOUNTING POLICIES

##### **Basis of accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The financial statements are presented in pounds sterling (£) which is the functional currency of the company.

An overview of standards, amendments and interpretations to IFRSs issued but not yet effective, and which have not been adopted early by the Company are presented below under 'Statement of Compliance'.

##### **Going Concern**

The company is in a net liabilities position of £567,468 and a related party has confirmed that they will not demand repayment of outstanding balances, until such time as the company has sufficient cash resources. The Director considers that this confirmation, in addition to the projected profitability of the company means that it is appropriate for the financial statements to be prepared on a going concern basis.

##### **Critical Accounting Estimates and Judgements**

The preparation of financial statement in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. These estimates and assumptions are based upon management's knowledge and experience of the amounts, events or actions. Actual results may differ from such estimates.

The estimates and assumptions that may cause material adjustment to the carrying value of assets and liabilities relate to: depreciation of tangible fixed assets and impairment of receivables.

##### **Statement of compliance**

The financial statements comply with IFRS as adopted by the European Union. At the date of authorisation of these financial statements the following Standards and Interpretations affecting the Company, which have not been applied in these financial statements, were in issue, but not yet effective. The company does not plan to adopt these standards early.

- IFRS 16 Leases (effective for accounting periods beginning on or after 1 January 2019)

# LEONARDO EDINBURGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. ACCOUNTING POLICIES (continued)

##### **Segment reporting**

There is one continuing class of business, operating hotels in the UK.

All revenue arose within the UK therefore no further segmental information has been provided.

##### **Revenue recognition**

Revenue comprises of room, food and beverage income net of value added tax, rebates and discounts. Revenue is recognised when the company has a right to that income, the transfer of risks to the customer has taken place and that income can be reliably measured.

##### **Deferred taxation**

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction does not affect either the accounting or taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

##### **Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged on a straight line bases to profit and loss account.

##### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

##### **Financial assets**

The Company's financial assets comprise tangible fixed assets, inventories, trade receivables and cash and cash equivalents.

##### **Property, plant and equipment**

Property, plant and equipment are stated at cost less depreciation. Depreciation is calculated to write down the cost of all tangible fixed assets by equal monthly instalments over their estimated useful lives at the following rates-

Plant and machinery – over 8 years

Furniture, fittings and equipment - over 8 years

Computer equipment – over 5 years

##### **Inventory**

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to sell.

##### **Trade and other receivables**

Trade and other receivables are recognised and carried at original invoice value less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

##### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposit held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**LEONARDO EDINBURGH LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2018****2. ACCOUNTING POLICIES (continued)****Financial liabilities**

The Company's financial liabilities comprise trade and other payables, accruals and amounts owed to group undertakings. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instruments.

**Creditors**

Creditors are recognised where the company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Short term creditors are measured at the transition price. Long term creditors are measured at their fair value.

**Equity**

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Retained losses" represents retained losses.

**3. TURNOVER**

The whole of turnover is attributable to the activities of running a hotel.  
All turnover arose within the United Kingdom.

**4. COST OF SALES**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Wages, salaries and associated expenditure	1,230,476	1,274,519
Rooms	350,556	475,079
Food and Beverage	357,640	260,422
Energy and maintenance	396,758	264,429
Other	593,188	366,218
	<u>2,928,618</u>	<u>2,640,667</u>

**5. EXPENSES BY NATURE**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Employee benefit expense (see below)	1,550,702	805,637
Depreciation	485,698	331,299
Operating lease rentals	2,856,177	2,478,062
Interest	238,281	153,631
Auditors' remuneration		
- audit fees	6,000	5,000
- other services	3,000	2,500
	<u></u>	<u></u>

**LEONARDO EDINBURGH LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

**5. EXPENSES BY NAUTRE (CONTINUED)**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Employee benefit expense (including directors)</b>		
Wages and salaries	1,482,945	674,231
Social security costs	56,718	42,797
Pension contributions	11,039	8,596
Associated expenditure	-	80,013
	<u>1,550,702</u>	<u>805,637</u>
The average full time equivalent number of persons (including directors) employed by the group during the year was as follows:		
Office and administration	6	3
Hotel employees	<u>41</u>	<u>50</u>

**6. NET FINANCE EXPENSE**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Interest payable and other charges	<u>238,281</u>	<u>206,798</u>

**7. TAXATION**

(a) The taxation charge comprises:

Deferred tax (liability)/asset	<u>(33,937)</u>	<u>91,404</u>
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(b) The tax assessed in the year is different from the standard rate of corporation tax in the United Kingdom of 19% in 2018 (2017: 19.14%). The differences are explained below:

Profit/(loss) on ordinary activities before tax	<u>206,985</u>	<u>(832,920)</u>
Profit/(loss) on ordinary activities before tax multiplied by the standard companies' rate of tax in the UK of 19% (2017: 19.14%).	39,327	(159,404)
Effects of:		
Capital allowances in excess of depreciation	30,378	56,190
Expenditure not deductible for tax purposes	818	314
Adjust closing deferred tax rate	<u>(36,586)</u>	<u>11,496</u>
Taxation charge/(credit)	<u>33,937</u>	<u>(91,404)</u>

(c) Factors which may affect future tax charges

Certain of the group companies have tax losses carried forward that may reduce future tax charges.

**LEONARDO EDINBURGH LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

**8. TANGIBLE FIXED ASSETS**

	<b>Leasehold Property Improvements</b>	<b>Fixtures &amp; Fittings</b>	<b>Plant &amp; Machinery</b>	<b>Computer Equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>					
At 1 January 2018	4,574,612	2,056,132	22,507	135,891	6,789,142
Additions	63,699	51,014	31,592	25,821	172,126
	<u>4,638,311</u>	<u>2,107,146</u>	<u>54,099</u>	<u>161,712</u>	<u>6,961,268</u>
<b>Depreciation</b>					
At 1 January 2018	109,916	201,253	1,172	18,957	331,298
Charge for the year	188,920	262,174	5,158	29,446	485,698
	<u>298,836</u>	<u>463,427</u>	<u>6,330</u>	<u>48,403</u>	<u>816,996</u>
<b>Net Book Value</b>					
At 31 December 2018	<u>4,339,475</u>	<u>1,643,719</u>	<u>47,769</u>	<u>113,309</u>	<u>6,144,272</u>
At 31 December 2017	<u>4,464,696</u>	<u>1,854,879</u>	<u>21,335</u>	<u>116,934</u>	<u>6,457,844</u>

**9. INVENTORIES**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Finished goods	<u>16,135</u>	<u>14,611</u>

There is no material difference between the carrying value of inventory and its replacement cost.

**10. TRADE AND OTHER RECEIVABLES**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Trade receivables	1,176,469	358,228
Prepayments and accrued income	207,028	61,761
Amounts owed by group undertakings	503,171	598,750
Amounts owed by related undertakings	649,614	489,503
VAT debtor	-	8,732
Deferred taxes	57,467	91,404
	<u>2,593,749</u>	<u>1,608,378</u>



**LEONARDO EDINBURGH LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

<b>11. CASH AND CASH EQUIVALENTS</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Cash at bank	854,881	1,300,838
<b>12. TRADE AND OTHER PAYABLES</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Trade payables	201,104	159,522
Other taxation and social security	79,016	12,365
Customer advances	47,500	304,366
Accruals and other creditors	687,178	264,220
Amounts owed to group undertakings	-	266,881
	1,014,798	1,007,354
<b>13. CREDITORS MORE THAN ONE YEAR</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Amounts owed to group undertakings	7,823,706	7,707,120
Deferred rent liability (*)	1,338,001	1,407,713
	9,161,707	9,114,833
(*)The deferred liabilities arise mainly from the averaging of the renting payments payables to the lessors as required by IFRS.		
<b>14. ISSUED SHARE CAPITAL</b>	<b>Number of</b>	<b>Nominal</b>
	<b>Shares</b>	<b>Value</b>
	<b>No.</b>	<b>£</b>
<b>Issued and fully paid</b>		
1 ordinary shares of £1 each	1,000	1,000
<b>15. OPERATING LEASE COMMITMENTS</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Within 1 year	2,917,773	2,917,773
2 to 5 years	11,671,093	11,671,093
Over 5 years	38,174,201	41,091,974

## 16. FINANCIAL RISK MANAGEMENT

The company's activities give rise to a number of financial risks: market risk, credit risk and liquidity risk. Market risk includes foreign exchange risk and cash flow and fair value interest rate risk. The group has in place risk management policies that seek to limit the adverse effects on the financial performance.

### Financial instruments

The company does not use derivative financial instruments. The company finances its operations using bank balances and overdraft facilities, plus debtors and creditors. The cash flow is regularly monitored and the overdraft is occasionally extended to meet requirements as they arise.

### Capital risk management

The company manages capital and for the purpose of proper capital structure, in accordance with the economic conditions present on the market, and decides if the retained earnings should be distributed to shareholders. The company's principal capital management objective is that of maximisation of returns to shareholders. Management seek to manage capital in order to meet this objective through organic growth and other strategies as deemed appropriate. The company's objectives, policies and processes have not been changed during the year ended 31 December 2018.

### Liquidity risk

At 31 December 2018 the cash position was £854,881. The company seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs. An analysis of trade and other payables is given in note 12. These payables are payable within one year.

There is a risk that the restricted access to credit generated by the global credit crunch may impact negatively one or several current banking arrangements. We do not anticipate the need for additional credit facilities in the foreseeable future to support our existing operations.

### Currency risk

The company has not implemented a specific policy to protect against currency fluctuations.

As at 31 December 2018 total cash and cash equivalents of £854,881 was held in the following currencies:

British Pound (GBP)	<u>854,881</u>
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The main impact of foreign exchange risk on the company's results arises from the translation into sterling of the intercompany balances of entities trading outside of the United Kingdom.

The Directors do not generally consider it necessary to enter into derivative financial instruments to manage the exchange risk arising from its operations, but from time to time when the Directors consider foreign currencies are weak and it is known that there will be a requirement to purchase those currencies, forward arrangements are entered into.

### Credit risk management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The company only transacts with entities with good credibility. The company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transaction concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are review and approved by the company's management. The Company considers that trade receivables are exposed to limited credit risk.

# **LEONARDO EDINBURGH LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **17. RESERVES**

Retained earnings – All other gains and losses reported by the company and not recognised elsewhere.

#### **18. RELATED PARTY TRANSACTIONS**

At the year end the company owed £7,821,280 (2017: £7,974,001) to Sunflower Management GmbH & Co.Kg, £2,426 (2017:£nil) to Leonardo Portland Operations Limited and £68,764 from Jurys Hotel Management UK Limited, which are all related companies. It was due £231,000, £487,378, £nil and £503,171 (2017: £101,000, £486,296, £497,750 and £3,207) by Fattal Leonardo Hotels (UK) Ltd, Leonardo Haymarket Limited, Leonardo Heathrow Limited and Leonardo Portland Limited respectively. Fattal Leonardo Hotels (UK) Ltd and Leonardo Heathrow Limited are related group undertakings whilst the other two companies are related by controlling parties. The company leases its hotel from “Leonardo Haymarket Ltd” (the “Lessor”), a related party.

#### **19. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The company’s parent company is Fattal Leonardo Hotels (UK) Limited, a company incorporated in the United Kingdom. The largest company in the group is Fattal Hotels Limited, a company incorporated in Israel and the smallest company in the group is Fattal Hotels KFT, a company incorporated in Hungary.

The directors consider David Fattal to be the ultimate controlling party.