

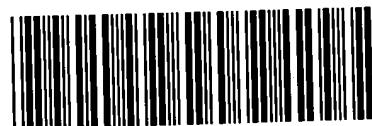
Registered number
3760451

HAND PICKED HOTELS LIMITED

Report and Financial Statements

24 November 2016

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HAND PICKED HOTELS LIMITED
Report and Financial Statements
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HAND PICKED HOTELS LIMITED
Company Information

Directors

J Hands
K Arkley
D Waddell
S Fairs
M Mahr

Secretary

Jordans Company Secretaries Limited

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Registered office

The Old Library
The Drive
Sevenoaks
Kent
TN13 3AB

Registered number

3760451

HAND PICKED HOTELS LIMITED
Strategic Report
for the period ended 24 November 2016

The directors present their strategic report for the period ended 24 November 2016.

Business review

The financial results for the period ended 24 November 2016 are contained in the consolidated statement of comprehensive income on page 7 of the report and financial statements.

The group turnover has decreased by 0.9% to £61.9m. On the 8th February 2016 the group sold one of its properties, the Priest House Hotel, which has impacted the turnover comparison. On a like for like basis, the group turnover has increased by 1.8%, £1.1m. The group has delivered growth in both room occupancy and average room rates.

During the year two lots of land at one of the group's properties, Seiont Manor Hotel, were sold to a third party for a net consideration of £687,161.

The hotel turnover and operating profit at another group property, Crathorne Hall, has been adversely impacted following a fire in October 2014. The hotel reopened all of its services in October 2015 but the impact in the current period is £156k and £147k respectively. There were gains in the current financial period from the insurers, relating to the replacement of assets that were destroyed in the fire.

EBITDA has decreased to £10.0m compared with £10.5m in the prior period.

Loss on ordinary activities before taxation, and before FRS 102 fair value of financial instruments, was £5.1m in 2016 (2015: £4.8m).

During the period, the group continued to own and operate seventeen upmarket country house hotels, and maintained operating profitability through a programme of improvements to services and facilities. One of the hotels was sold during the period (Priest House Hotel).

The group continued to operate four properties under management contracts during the period.

The total portfolio at the end of the period contained 1,315 bedrooms (2015: 1,357).

The group is still well positioned for growth as the market continues to recover, driven by investment that will deliver increases in sales and EBITDA. The ongoing improvement in brand perception together with the continued drive towards excellence in service provision will also contribute to future growth.

Post balance sheet event

On 8 December 2016, the Group disposed of the trade and key assets of group company Seiont Manor Hotel Limited including the Seiont Manor Hotel and fixtures and fittings to a third party, for an amount of £1,340,000. The Group also disposed of the stock as at that date under the same agreement, for an amount of £11,707.

Financial position

Following the receipt of an additional £13.25m of shareholder equity in the year, the group is well positioned with net current assets, excluding deferred taxation on interest rate swaps, of £7.6m (2015: liabilities of £4.2m) and net assets of £29.6m (2015: £20.4m). Shareholder debt is unchanged from 2015 at £29.5m (£22.7m per the financial statements, net of unamortised discount) and external gearing on the group hotel assets is an acceptable 57% (2015: 56%), calculated based on amortised cost (as per the group's accounting policy). This gearing percentage would be lower were upward market valuations reflected in the financial statements.

HAND PICKED HOTELS LIMITED
Strategic Report (continued)
for the period ended 24 November 2016

Principal risks and uncertainties

The directors consider the following to be principal risks and uncertainties facing the group:

- economic conditions such as recession and the currency and human capital impact of Brexit;
- changes to government regulations including legislation on employees (principally minimum wage and levies), environmental and health and safety;
- natural disasters

The directors take a regular review of the group and company's exposure to these risks.

Expansion for the future

We are maintaining our investment in constantly upgrading and improving our existing bedroom stock, leisure facilities and food and beverage offerings.

Environment

The hotels operate in beautiful locations and it is in our best interests to minimise the impact upon the environment, particularly by energy saving initiatives within the hotels.

Personnel

We clearly understand that our employees are the most valuable asset in the group. We continue to invest in training and skills' development programmes. We intend to continue our philosophy and invest in our staff. The group places considerable value on the involvement of its employees and the board has continued to keep them informed on matters affecting them. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

Disabled employees

The group gives full consideration to applications for employment from disabled persons where a handicapped or disabled person can handle the requirements of the job. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees where appropriate.

This report was approved by the board on 25 May 2017 and signed on its behalf.



J Hands
Director

HAND PICKED HOTELS LIMITED

Registered number: 3760451

Directors' Report

The directors present their report and financial statements for the period ended 24 November 2016.

Principal activities

The group and company's principal activity during the period continued to be that of the ownership, the management and operation of a number of hotels.

Results and dividend

The loss before tax for the period was £3.5m (2015: £2.3m).

No dividends have been paid during the period ended 24 November 2016 (2015 £Nil).

Financial instruments

The group is exposed to the usual credit risk and cash flow movement involved with selling on credit and manages this through the group credit policy. The policy is to finance working capital through retained earnings and finance fixed assets through long term borrowings on fixed interest. The group and company has borrowings in sterling on fixed and floating interest rates with an interest rate swap in place, the profile of which is reviewed on a regular basis. The counterparty to the majority of the group's financial instruments (other than its shareholders) is its bankers; the group and company are exposed to *minimal credit and liquidity risks in respect of these instruments*.

The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of the group's financial position or result.

Directors

The following persons served as directors during the period:

J Hands	
K Arkley	
D Waddell	
S Fairs	
M Mahr	- appointed 17 October 2016

Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and 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. 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 group and company and of the profit or loss of the group and 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 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 group and company will continue in business.

HAND PICKED HOTELS LIMITED

Registered number: 3760451

Directors' Report (continued)

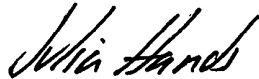
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

Disclosure of information to auditors

Each person who was a director at the time this report was approved confirms that:

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

This report was approved by the board on 25 May 2017 and signed on its behalf.



J Hands
Director

HAND PICKED HOTELS LIMITED
Independent Auditor's Report
to the members of HAND PICKED HOTELS LIMITED

We have audited the financial statements of Hand Picked Hotels Limited for the period ended 24 November 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated 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).

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 auditors' 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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and the parent company's affairs as at 24 November 2016 and of the group's loss for the period 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 Directors' Report and the Strategic Report for the financial period 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 parent company's 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.

BDO LLP

Ian Clayden (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London

26 May 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

HAND PICKED HOTELS LIMITED
Consolidated Statement of Comprehensive Income
for the period from 27 November 2015 to 24 November 2016

	Notes	2016 £	2015 £
Turnover		61,876,078	62,449,893
Cost of sales		(13,966,903)	(14,265,669)
Gross profit		47,909,175	48,184,224
Administrative expenses		(49,363,848)	(49,200,446)
Profit on disposal of fixed assets	10	1,549,773	897,568
Other operating income	3	3,328,534	3,823,353
EBITDA *		10,000,829	10,450,941
Depreciation	10	(6,577,195)	(6,746,242)
Operating profit	4	3,423,634	3,704,699
Interest receivable and similar charges	7	6,787	24,528
Interest payable and similar charges	7	(8,565,964)	(8,557,121)
Fair value gains on financial instruments	18	1,588,090	2,533,848
Loss on ordinary activities before taxation		(3,547,453)	(2,294,046)
Tax on loss on ordinary activities	8	(473,369)	(913,558)
Loss for the period		(4,020,822)	(3,207,604)
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		(4,020,822)	(3,207,604)

* Earnings before interest, taxation, depreciation and amortisation

All amounts relate to continuing operations.

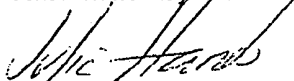
The notes on page 11 to 27 form part of these financial statements.

HAND PICKED HOTELS LIMITED
Consolidated and Company Statements of Financial Position
as at 24 November 2016 and 26 November 2015

	Notes	24 November 2016		26 November 2015	
		Group £	Company £	Group £	Company £
Fixed assets					
Intangible assets		22	-	22	-
Tangible assets	10	139,734,319	1,174,956	141,956,058	1,195,509
Investments	11	-	69,371,433	-	68,727,167
		<u>139,734,341</u>	<u>70,546,389</u>	<u>141,956,080</u>	<u>69,922,676</u>
Current assets					
Stocks	12	737,228	193,635	785,402	217,137
Debtors	14	8,113,685	77,086,436	10,359,095	74,757,752
Cash at bank and in hand	13	21,006,582	6,684,158	7,264,503	2,052,079
		<u>29,857,495</u>	<u>83,964,229</u>	<u>18,409,000</u>	<u>77,026,968</u>
Creditors: amounts falling due within one year	15	(19,025,206)	(30,659,603)	(18,937,781)	(32,842,979)
Net current assets/(liabilities)		<u>10,832,289</u>	<u>53,304,626</u>	<u>(528,781)</u>	<u>44,183,989</u>
Total assets less current liabilities		<u>150,566,630</u>	<u>123,851,015</u>	<u>141,427,299</u>	<u>114,106,665</u>
Creditors: amounts falling due after more than one year	16	(120,928,226)	(115,850,480)	(121,018,073)	(116,246,012)
Net assets/(liabilities)		<u>29,638,404</u>	<u>8,000,535</u>	<u>20,409,226</u>	<u>(2,139,347)</u>
Capital and reserves					
Called up share capital	20	100,708,885	100,708,885	87,458,885	87,458,885
Capital contribution reserve		9,725,306	7,588,228	9,725,306	7,588,228
Merger reserve		934,061	-	934,061	-
Profit and loss account		(81,729,848)	(100,296,578)	(77,709,026)	(97,186,460)
Total equity		<u>29,638,404</u>	<u>8,000,535</u>	<u>20,409,226</u>	<u>(2,139,347)</u>

The notes on page 11 to 27 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 May 2017.



J Hands
Director

HAND PICKED HOTELS LIMITED

Consolidated and Company Statements of Changes in Equity for the periods from 28 November 2014 to 24 November 2016

Group	Merger reserve £	Share capital £	Capital contribution reserve £	Profit and loss account £	Total equity £
At 27 November 2015	934,061	87,458,885	9,725,306	(77,709,026)	20,409,226
Loss for the period	-	-	-	(4,020,822)	(4,020,822)
Shares issued	-	13,250,000	-	-	13,250,000
At 24 November 2016	<u>934,061</u>	<u>100,708,885</u>	<u>9,725,306</u>	<u>(81,729,848)</u>	<u>29,638,404</u>
 At 28 November 2014	 934,061	 82,899,885	 9,725,306	 (74,501,422)	 19,057,830
Loss for the financial year	-	-	-	(3,207,604)	(3,207,604)
Shares issued	-	4,559,000	-	-	4,559,000
At 26 November 2015	<u>934,061</u>	<u>87,458,885</u>	<u>9,725,306</u>	<u>(77,709,026)</u>	<u>20,409,226</u>

Company	Share capital £	Capital contribution reserve £	Profit and loss account £	Total equity £
At 27 November 2015	87,458,885	7,588,228	(97,186,460)	(2,139,347)
Loss for the period	-	-	(3,110,118)	(3,110,118)
Shares issued	13,250,000	-	-	13,250,000
At 24 November 2016	<u>100,708,885</u>	<u>7,588,228</u>	<u>(100,296,578)</u>	<u>8,000,535</u>
 At 28 November 2014	 82,899,885	 7,588,228	 (94,188,764)	 (3,700,651)
Loss for the financial year	-	-	(2,997,696)	(2,997,696)
Shares issued	4,559,000	-	-	4,559,000
At 26 November 2015	<u>87,458,885</u>	<u>7,588,228</u>	<u>(97,186,460)</u>	<u>(2,139,347)</u>

The notes on page 11 to 27 form part of these financial statements.

HAND PICKED HOTELS LIMITED
Consolidated Statement of Cash Flows
for the period from 27 November 2015 to 24 November 2016

	2016 £	2015 £
Cash flows from operating activities		
Loss for the financial period	(4,020,822)	(3,207,604)
Adjustments for:		
Depreciation	6,577,195	6,746,241
Tax charge	473,369	913,558
Gain on disposal of tangible assets	(1,549,773)	(897,568)
Fair value gain on financial instruments	(1,588,090)	(2,533,848)
Amortisation of debt issue cost	57,500	57,500
Decrease/(increase) in stocks	48,174	(11,185)
Decrease/(increase) in debtors	1,241,257	(1,152,440)
Increase in creditors	205,252	804,381
Interest receivable	(6,787)	(24,528)
Interest payable	8,565,964	8,557,121
Net cash generated by operating activities	<u>10,003,239</u>	<u>9,251,628</u>
Cash flows from investing activities		
Payments to acquire tangible fixed assets	(6,151,916)	(9,049,842)
Proceeds from sale of tangible fixed assets	3,851,358	4,652,817
Net cash used in investing activities	<u>(2,300,558)</u>	<u>(4,397,025)</u>
Cash flows from financing activities		
Proceeds from the issue of shares	13,250,000	4,559,000
Net interest paid	(7,210,602)	(7,148,068)
Net cash generated by/(used by) financing activities	<u>6,039,398</u>	<u>(2,589,068)</u>
Net increase in cash and cash equivalents	<u>13,742,079</u>	<u>2,265,535</u>
Cash and cash equivalents at beginning of the period	<u>7,264,503</u>	<u>4,998,968</u>
Cash and cash equivalents at the end of the period	<u>21,006,582</u>	<u>7,264,503</u>
Cash and cash equivalents comprise:		
Cash at bank	<u>21,006,582</u>	<u>7,264,503</u>

The notes on page 11 to 27 form part of these financial statements.

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period from 27 November 2015 to 24 November 2016

1 Accounting policies

General information

Hand Picked Hotels Limited is a private limited company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the Director's Report.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006.

The financial statements for the period ended 24 November 2016 are the group and company's first financial statements that comply with FRS 102. The date of transition is 28 November 2014.

Information on the impact of first-time adoption of FRS 102 is given in note 26.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the group and company's accounting policies (see note 2).

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No statement of cash flows has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and;
- No disclosures have been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

Going concern

The group reports losses and net current assets, an improved position on the prior year's net current liabilities, resulting principally from the shareholders equity contribution in the year. The group has considerable financial resources and continues to be cash generative at operating level. The directors believe that it is well placed to manage its liquidity risks successfully, despite the current uncertain economic outlook. The group's shareholders have indicated they will provide further financial support as necessary. The directors therefore have a reasonable expectation that the group has adequate resources to continue in operational existence and operate within its banking facility covenants for the foreseeable future. On this basis, and having made appropriate enquiries of the shareholders, the directors are satisfied that it is appropriate to prepare these accounts on a going concern basis.

Basis of consolidation

The group financial statements consolidate the financial statements of Hand Picked Hotels Limited and all of its subsidiaries from the date of acquisition, up to the date of disposal, for the period ended 24 November 2016.

On 3 April 2008 the company acquired the entire share capital of Bestmexico Limited for £1,810,941 cash consideration. As the ultimate ownership of Hand Picked Hotels Limited and Bestmexico Limited were and continue to be the same this transaction has been accounted for as a merger in order to meet the overriding requirement of section 393 of the Companies Act 2006 for financial statements to present a true and fair view and hence the consolidated figures report on the combined entity as if it has always been a single group.

No profit and loss account is presented for Hand Picked Hotels Limited as permitted by section 408 of the Companies Act 2006. The company loss for the period ending 24 November 2016 is £3,110,118 (2015: £2,997,696).

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period from 27 November 2015 to 24 November 2016

Accounting policies (continued)

Turnover

Turnover represents amounts receivable for accommodation, food and beverage sales and ancillary hotel services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover is recognised at the point at which goods and services are delivered to the customer. Deposits which have been received at the balance sheet date for which services have not yet been provided are shown as payments in advance within creditors. In the view of the directors, turnover is considered to be generated from one geographical segment on the grounds that all of the hotels are located in the United Kingdom and the Channel Islands.

Other operating income

Other operating income represents income from insurance claims and management and service fees from management contracts. Income is recognised as the group fulfils its obligations under each contract.

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the group assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Freehold buildings core	50 years
Freehold buildings surface finishes and services	20 years
Leasehold land and buildings	over the period of the lease
Fixtures and fittings	4 to 25 years

Freehold land is not depreciated.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period from 27 November 2015 to 24 November 2016

Accounting policies (continued)

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Interest

Interest income and expense is recognised in the income statement using the effective interest method.

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans and other financial assets are initially recognised at transaction price including any transaction costs and subsequently measured at amortised cost determined using the effective interest method, less any impairment.

Creditors

Short term creditors are measured at the transaction price. Short term loans and other financial liabilities are initially recognised at transaction price net of any transaction costs and subsequently measured at amortised cost determined using the effective interest method.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the country where the company operates and generates taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Operating leases

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period from 27 November 2015 to 24 November 2016

Accounting policies (continued)

Pensions

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the group in independently administered funds.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an 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.

Derivatives, including interest rate swaps, 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 fair value. Changes in the fair value of derivatives are recognised in the statement of comprehensive income.

Related party transactions

The company has taken advantage of the exemptions in FRS 102 in connection with the disclosure of transactions with other wholly owned group undertakings.

Reserves

Profit & loss account

This is cumulative profits or losses, net of dividends paid and other adjustments.

Capital contribution reserve

The capital contribution reserve comprises discounting adjustments to certain shareholder loans.

Merger reserve

This represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued in an acquisition made by the issue of shares.

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period from 27 November 2015 to 24 November 2016

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's fixed assets. Factors taken into consideration in reaching such a decision include the most recent third party valuations, the economic viability and expected future financial performance of the asset.

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 10)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Investments (see note 11)

Where indicators of impairment exist, impairment reviews consider the current value of the investment's assets and liabilities along with its future performance and timing of the expected return on the investment.

3 Other operating income

Other operating income in 2016 of £3,328,534 (2015: £3,823,353) was in respect of: management fees and service fees from managed contracts of £3,100,209 (2015: £2,988,654), "loss of profits" claims due from insurers of £228,325 (2015: £823,302) following a fire at one of the hotels, and income from other insurance claims of £nil (2015: £11,397).

4 Operating profit	2016	2015
	£	£
This is stated after charging:		
Depreciation of owned fixed assets	6,577,195	6,746,242
Operating lease rentals - plant and machinery	127,095	118,178
Auditors' remuneration for audit services	32,700	22,000
Auditors' remuneration for other services:		
The audit of the company's subsidiaries pursuant to legislation	64,000	63,000
Taxation	29,400	29,974

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period from 27 November 2015 to 24 November 2016

5 Directors' emoluments	2016	2015
	£	£
Emoluments	540,227	485,272
Contributions to defined contribution pension plans	72,275	83,229
	<u>612,502</u>	<u>568,501</u>

The number of directors receiving pension contributions in the period was four (2015: four).

Highest paid director:		
Emoluments	193,037	189,252
Contributions to defined contribution pension plans	19,304	18,925
	<u>212,341</u>	<u>208,177</u>

6 Staff costs	2016	2015
	£	£
Wages and salaries	25,850,213	25,365,047
Social security costs	1,830,040	1,798,207
Other pension costs	626,020	654,150
	<u>28,306,273</u>	<u>27,817,404</u>
Agency staff	1,138,914	925,113
	<u>29,445,187</u>	<u>28,742,517</u>

Average number of employees during the period	Number	Number
Hotel operations	964	944
Administration	169	168
	<u>1,133</u>	<u>1,112</u>

7 Interest receivable/payable	2016	2015
	£	£
Interest receivable and similar income		
Bank and other interest	6,787	24,528
Interest payable and similar charges		
Bank loans and overdrafts	7,111,148	7,197,565
Unwinding of discount on shareholder loans	1,454,816	1,359,556
	<u>8,565,964</u>	<u>8,557,121</u>

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period from 27 November 2015 to 24 November 2016

8 Taxation	2016	2015
	£	£
Current tax		
UK corporation tax at 20% (2015: 20.35%)	-	-
Deferred tax		
Origination and reversal of timing differences	269,975	456,093
Effect of tax rate change on opening balance	203,394	457,465
	<u>473,369</u>	<u>913,558</u>
Movement in deferred tax provision		
Provision at start of period	(3,661,090)	(4,574,648)
Deferred tax charged in the statement of comprehensive income for the period	473,369	913,558
	<u>(3,187,721)</u>	<u>(3,661,090)</u>
Reconciliation of tax charge		
Loss on ordinary activities before tax	(3,547,453)	(2,294,046)
Tax on loss on ordinary activities at standard CT rate	(707,828)	(466,704)
Effects of:		
Tax effect of FRS 102 adjustments	-	613,823
Expenses not deductible for tax purposes	888,366	921,784
Capital gains	73,831	-
Deferred tax not recognised	(110,707)	(653,917)
Difference in UK tax rates	435,184	576,484
Difference in overseas tax rates	(105,477)	(77,912)
	<u>473,369</u>	<u>913,558</u>
Tax charge for the period		

The group has potential deferred tax assets of £3,883,000 (2015: £3,939,000) and £1,228,000 (2015: £1,302,000) which have not been recognised in respect of depreciation charged in excess of capital allowances at the end of the period and tax losses carried forward available for offset against future profits respectively.

The group also has capital losses carried forward of £75,700 (2015: £75,700) which create a potential deferred tax asset of £13,000.

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
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9 Related party transactions

The unsecured loan stock within creditors, amounts falling due after more than one year, includes an amount of £11,197,548 (2015: £11,197,548) which is owed to Mr G Hands by the group and company, the controlling party to the company's ultimate parent undertaking and husband of Mrs J Hands. £14,005,000 (2015: £14,005,000) is owed to Mrs J Hands by the group, a director of the company and a connected party to the company's controlling party of which £7,600,000 (2015 £7,600,000) by the company.

Included within creditors, amounts falling due after more than one year, at 24 November 2016 is secured loan stock of £3,945,000 (2015: £3,945,000) which is owed to Mr G Hands by the group and company.

Included within creditors, amounts falling due within one year, at 24 November 2016 are other loan creditors of £100,000 (2015: £100,000) which are owed to Mrs J Hands by the group and company.

Included within creditors, amounts falling due within one year, as at 24 November 2016 are other loan creditors of £370,000 (2015: £370,000) owed to Mr G Hands by the group and company.

Within debtors for the group and company it is included an amount of £220,879 and £206,476, respectively (2015: £281,144 and £266,743 respectively) which is due from Bailbrook House Hotel (No2) Limited, a related party. This being for the outstanding balance of management charges and service fees for the period ending 24 November 2016 of £631,618 (2015: £607,294), plus amounts due from Bailbrook House Hotel (No2) Limited for other purposes.

Within debtors for the group and company it is included an amount of £15,683 (2015: £34,560) which is an amount due from Bailbrook House Hotel Limited. Management charges and service fees for the year ending 24 November 2016 of £6,882 (2015: £6,610) were charged by Hand Picked Hotels Limited.

Within debtors for the group and company it is included an amount of £290,244 (2015: £334,058) which is due from Fawsley Hall (No2) Limited, a related party. This relates to the outstanding balance of management charges and service fees for the year ending 24 November 2016 of £802,030 (2015: £723,975), plus amounts due from Fawsley Hall (No2) Limited for other purposes.

Within debtors for the group and company it is included an amount of £13,401 (2015: £52,033) which is due from Fawsley Hall Limited, a related party. This relates to the outstanding balance of management charges and service fees for the year ending 24 November 2016 of £9,712 (2015: £9,047), plus amounts due from Fawsley Hall Hotel Limited for other purposes.

Within debtors for the group and company it is included an amount of £161,626 (2015: £658,793) which is due from SPP Holdings Limited, a related party. This being for the outstanding balance of management charges and service fees for the year ending 24 November 2016 of £701,808 (2015: £803,288).

Within debtors for the group and company it is included an amount of £310,728 (2015: £613,202) which is due from The Grand Holdings Limited, a related party. This being for the outstanding balance of management charges and service fees for the year ending 24 November 2016 of £940,050 (2015: £830,277).

The directors are considered to be key management personnel and remuneration details are included in note 5.

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period from 27 November 2015 to 24 November 2016

10 Tangible fixed assets

Group	Freehold land and buildings £	Long leasehold land and buildings £	Fixtures and fittings £	Total £
Cost				
At 27 November 2015	105,187,726	14,130,471	68,932,579	188,250,776
Additions	30,682	15,113	6,676,751	6,722,546
Disposals	(4,994,544)	-	(5,201,481)	(10,196,025)
At 24 November 2016	<u>100,223,864</u>	<u>14,145,584</u>	<u>70,407,849</u>	<u>184,777,297</u>
Depreciation				
At 27 November 2015	13,967,575	2,005,000	30,322,143	46,294,718
Charge for the period	672,231	224,613	5,680,351	6,577,195
On disposals	(3,440,468)	-	(4,388,467)	(7,828,935)
At 24 November 2016	<u>11,199,338</u>	<u>2,229,613</u>	<u>31,614,027</u>	<u>45,042,978</u>
Carrying amount				
At 24 November 2016	<u>89,024,526</u>	<u>11,915,971</u>	<u>38,793,822</u>	<u>139,734,319</u>
At 26 November 2015	<u>91,220,151</u>	<u>12,125,471</u>	<u>38,610,436</u>	<u>141,956,058</u>

Included in land and buildings is freehold land of £23,024,465 (2015: £24,726,046) which is not depreciated.

On 1st October 2014, Crathorne Hall Hotel was severely damaged by fire. Operations were resumed using part of the building while full repairs were completed. The hotel reopened all of its services on 1st October 2015. In accordance with Accounting Standards, the difference between the insurance payments to fund the rebuild and the net book value of the assets destroyed is reported as a profit on disposal.

During the year a part of the Seiont Manor Hotel's land, with an initial cost of £256,081, was sold to a third party, for a net consideration of £687,161. Subsequent to the year end, the remaining assets were sold for a consideration in excess of their net carrying value (see note 21).

On 8 February 2016, the trade and key assets of Wy (Priest House) Limited, including the Priest House Hotel and its fixtures and fittings were sold to a third party for an amount of £3,050,000. The former staff house was sold on 2 March 2016 to a third party for £118,000.

Company	Freehold land and buildings £	Fixtures and fittings £	Total £
Cost			
At 27 November 2015	865,638	798,147	1,663,785
Additions	-	142,679	142,679
Disposals	-	(42,881)	(42,881)
At 24 November 2016	<u>865,638</u>	<u>897,945</u>	<u>1,763,583</u>
Depreciation			
At 27 November 2015	169,692	298,584	468,276
Charge for the period	11,312	151,920	163,232
On disposals	-	(42,881)	(42,881)
At 24 November 2016	<u>181,004</u>	<u>407,623</u>	<u>588,627</u>
Carrying amount			
At 24 November 2016	<u>684,634</u>	<u>490,322</u>	<u>1,174,956</u>
At 26 November 2015	<u>695,946</u>	<u>499,563</u>	<u>1,195,509</u>

Included in land and buildings is freehold land of £300,000 (2015: £300,000) which is not depreciated.

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period from 27 November 2015 to 24 November 2016

11 Investments

	Subsidiary undertakings £
Cost	
At 26 November 2015 and 24 November 2016	78,611,374
Provision	
At 26 November 2015	9,884,207
Reversal in period	<u>(644,266)</u>
At 24 November 2016	<u>9,239,941</u>
Net book value	
At 24 November 2016	69,371,433
At 26 November 2015	<u>68,727,167</u>

The company's investments in wholly owned subsidiaries are as follows:

Company	Country of incorporation	Proportion of voting rights	Nature of business
Buxted Park Hotel Limited	England and Wales	100%	Hotel owner and operator
Rhinefield House Hotel Limited	England and Wales	100%	Hotel owner and operator
Yellow Note Limited previously Seiont			
Manor Hotel Limited	England and Wales	100%	Hotel owner and operator
Rhinefield Timeshare Limited *	England and Wales	100%	Timeshare sales
Rhinefield Timeshare Management Limited *	England and Wales	100%	Timeshare management
Wy (Nutfield Priory) Limited	England and Wales	100%	Hotel owner and operator
Wy (Woodland Park) Limited	England and Wales	100%	Hotel owner and operator
Wy (L'Horizon) Limited	England and Wales	100%	Holding company
Hotel L'Horizon Limited *	Jersey	100%	Hotel owner and operator
Wy (Ettington Park) Limited	England and Wales	100%	Hotel operator
Ettington Park Group Limited *	England and Wales	100%	Hotel owner and lessor after Feb-16
Wy (Priest House) Limited	England and Wales	100%	Hotel owner and operator
Wy (Brands Hatch) Limited	England and Wales	100%	Hotel owner and operator
Wy (Wood Hall) Limited	England and Wales	100%	Hotel owner and operator
Wy (Rookery Hall) Limited	England and Wales	100%	Hotel owner and operator
Earlyservices Limited	England and Wales	100%	Non-trading
Wy (Chilston Park) Limited	England and Wales	100%	Hotel operator
Chilston Park Limited *	England and Wales	100%	Hotel owner and lessor
Audleys Wood Hotel Limited	England and Wales	100%	Hotel owner and operator
Audleys Wood Hotel (No.2) Limited *	England and Wales	100%	Non-trading
Hendon Hall Hotel Limited	England and Wales	100%	Hotel owner and operator
Hendon Hall Hotel (No.2) Limited *	England and Wales	100%	Non-trading
New Hall Hotel Limited	England and Wales	100%	Hotel owner and operator
New Hall Hotel (No.2) Limited *	England and Wales	100%	Non-trading
Bestmexico Limited	England and Wales	100%	Holding company
Norton Crathorne (No.1) Limited*	England and Wales	100%	Hotel operator
Norton Crathorne (No.2) Limited*	England and Wales	100%	Hotel owner and lessor

* Held by subsidiary undertaking

HAND PICKED HOTELS LIMITED**Notes to the Financial Statements****for the period from 27 November 2015 to 24 November 2016****11 Investments (continued)**

On 3 April 2008 the company acquired the entire share capital of Bestmexico Limited for £1,810,941 cash consideration. As the ultimate ownership of Hand Picked Hotels Limited and Bestmexico Limited were and continue to be the same, this transaction has been accounted for as a merger. No adjustments were required to the value of assets or liabilities nor were there any changes to the accounting policies of the acquired undertaking. The share capital of Bestmexico Limited at the time of the merger was £2,745,002 and so the transaction gave rise to a merger reserve on consolidation of £934,061, being the difference between this share capital and the consideration paid.

12 Stocks	2016	2015
	£	£
Group		
Goods for resale	<u>737,228</u>	<u>785,402</u>

Stock recognised in cost of sales during the period for the group as an expense was £7,334,054 (2015 £7,490,177).

Company		
Goods for resale	<u>193,635</u>	<u>217,137</u>

Stock recognised in cost of sales during the period for the group as an expense was £31,090 (2015 £27,324).

13 Cash and cash equivalents

Included within cash at bank and in hand is an amount of £117,499 (2015: £89,011), which is held on trust by Rhinefield Timeshare Management Limited, a wholly owned subsidiary. The amount is restricted in its use and is only to be spent in furtherance of Rhinefield Timeshare Management Limited's principal activity of managing the Rhinefield Timeshare apartments.

14 Debtors	2016	2015
	£	£
Group		
Trade debtors	1,402,127	1,674,664
Amounts due from related undertakings (see note 9)	1,012,559	1,973,790
Other debtors	1,878,788	2,354,274
Prepayments	632,490	695,277
Deferred taxation asset (see note 19)	<u>3,187,721</u>	<u>3,661,090</u>
	<u>8,113,685</u>	<u>10,359,095</u>
Company		
Amounts due from subsidiary undertakings	72,086,100	68,509,894
Other debtors	680,960	527,599
Prepayments	133,497	99,780
Amounts due from related undertakings (see note 9)	998,158	1,959,389
Deferred taxation asset (see note 19)	<u>3,187,721</u>	<u>3,661,090</u>
	<u>77,086,436</u>	<u>74,757,752</u>

All amounts shown under debtors fall due for payment within one year except for the deferred taxation asset (see note 19).

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period from 27 November 2015 to 24 November 2016

15 Creditors: amounts falling due within one year	2016	2015
	£	£
Group		
Payments in advance	7,821,872	7,188,083
Other loans (see note 17)	470,000	470,000
Trade creditors	3,265,148	3,487,078
Other taxes and social security costs	1,592,011	1,561,655
Other creditors	657,328	686,016
Accruals	5,218,847	5,544,949
	<u>19,025,206</u>	<u>18,937,781</u>
Company		
Other loans (see note 17)	470,000	470,000
Payments in advance	357,833	297,789
Trade creditors	1,038,832	781,363
Amounts due to subsidiary undertakings	26,191,285	28,465,650
Other taxes and social security costs	102,526	83,106
Other creditors	219,448	312,492
Accruals	2,279,679	2,432,579
	<u>30,659,603</u>	<u>32,842,979</u>
16 Creditors: amounts falling due after one year	2016	2015
	£	£
Group		
Bank loans (see note 17)	79,749,000	79,691,500
Secured loan stock (see note 17)	3,009,621	2,812,730
Unsecured loan stock (see note 17)	19,226,903	17,969,068
Other creditors	191,402	205,385
Interest rate swap (see note 18)	18,751,300	20,339,390
	<u>120,928,226</u>	<u>121,018,073</u>
Company		
Bank loans (see note 17)	79,749,000	79,691,500
Secured loan stock (see note 17)	3,009,621	2,812,730
Unsecured loan stock (see note 17)	14,340,559	13,402,392
Interest rate swap (see note 18)	18,751,300	20,339,390
	<u>115,850,480</u>	<u>116,246,012</u>

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
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17 Loans	2016	2015
Group		
Bank loans (1)	80,000,000	80,000,000
Secured loan stock (2) (see note 9)	3,009,621	2,812,730
Unsecured loan stock (3) (see note 9)	19,226,903	17,969,068
Other loans (see note 9)	470,000	470,000
	<u>102,706,524</u>	<u>101,251,798</u>
Less: unamortised issue costs	(251,000)	(308,500)
	<u>102,455,524</u>	<u>100,943,298</u>
Amounts falling due:		
Within one year or on demand	470,000	470,000
After five years	101,985,524	100,473,298
	<u>102,455,524</u>	<u>100,943,298</u>
	2016	2015
	£	£
Company		
Bank loans (1)	80,000,000	80,000,000
Secured loan stock (2) (see note 9)	3,009,621	2,812,730
Unsecured loan stock (3) (see note 9)	14,340,559	13,402,392
Other loans (see note 9)	470,000	470,000
	<u>97,820,180</u>	<u>96,685,122</u>
Less: unamortised issue costs	(251,000)	(308,500)
	<u>97,569,180</u>	<u>96,376,622</u>
Amounts falling due:		
Within one year or on demand	470,000	470,000
After five years	97,099,180	95,906,622
	<u>97,569,180</u>	<u>96,376,622</u>

(1) The balance of the loan is due on maturity in 2020. The rate of interest payable on the loan is LIBOR plus 2.25%. The SWAP fixes the variable element of this interest rate at a blended rate of 4.90%. The loan is secured by way of a mortgage debenture over certain assets of the group. Issue costs attributed to the bank loan are being amortised over the life of the loan.

(2) The secured loan stock is secured by way of a fixed and floating charge over the assets of certain subsidiary undertakings and is non-interest bearing.

Under FRS 102, interest free loans have to be discounted using an appropriate interest rate. 7% was considered to be in line with the market, based on a premium of 5.6% over government bond rates over a similar term of circa 1.4%. Based on a repayment made in 2020, this lead to a capital contribution from unsecured loans at the transition date of £1,316,280, in both the group and company. The profit and loss impact of unwinding this discount in 2016 was of £197k interest payable (£184k in 2015).

(3) The unsecured loan stock is non-interest bearing and subordinated.

Under FRS 102, interest free loans have to be discounted using an appropriate interest rate. 7% was considered to be in line with the market, based on a premium of 5.6% over government bond rates over a similar term of circa 1.4%. Based on a repayment made in 2020, this lead to a capital contribution from secured loans at the transition date of £8,409,026 in the group and £6,271,948 in the company. The profit and loss impact of unwinding this discount in 2016 was of £1,258k interest payable by the group and £938k payable by the company (£1,176k and £877k in 2015).

HAND PICKED HOTELS LIMITED
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18 Financial Instruments

The Group's financial instruments may be analysed as follows:

	2016 £	2015 £
Financial assets		
Financial assets measured at amortised cost	25,300,057	13,267,231
	<u>25,300,057</u>	<u>13,267,231</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(106,619,403)	(105,371,779)
Derivative financial instruments - interest rate swaps: valuation	(18,751,300)	(20,339,390)
	<u>(125,370,703)</u>	<u>(125,711,169)</u>

Financial assets measured at amortised cost comprise trade and other debtors, amounts owed by group undertakings, accrued income and cash.

Financial liabilities measured at amortised cost comprise trade and other creditors, accruals and loans.

19 Deferred taxation asset

	2016 £	2015 £
Group and company		
Deferred tax asset	<u>3,187,721</u>	<u>3,661,090</u>
	2016 £	2015 £
At 27 November	3,661,090	4,574,648
Credited to statement of comprehensive income	(473,369)	(913,558)
	<u>3,187,721</u>	<u>3,661,090</u>
At 24 November	<u>3,187,721</u>	<u>3,661,090</u>

The deferred tax asset recognised is in respect of the interest rate swaps (see note 17) which terminate on 30 November 2020. The asset will reverse over the life of the interest rate swaps and is subject to changes in valuation of the swaps.

HAND PICKED HOTELS LIMITED
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20 Share capital	2016	2015	2016	2015
	Number	Number	£	£
Allotted, called up and fully paid:				
A preference shares of £1 each	34,918,485	34,918,485	34,918,485	34,918,485
B preference shares of £1 each	65,789,000	52,539,000	65,789,000	52,539,000
A ordinary shares of £0.01 each	90,000	90,000	900	900
B ordinary shares of £0.01 each	10,000	10,000	100	100
C ordinary shares of £0.01 each	10,000	10,000	100	100
D ordinary shares of £0.01 each	10,000	10,000	100	100
E ordinary shares of £0.01 each	10,000	10,000	100	100
Z ordinary shares of £0.01 each	10,000	10,000	100	100
			<u>100,708,885</u>	<u>87,458,885</u>

During the period, the company's parent undertaking subscribed at par for 13,250,000 B preference shares of £1 each in cash.

The holders of the A preference shares have preferred rights to dividends and capital distribution in accordance with formulas set out in the articles of association. The B preference shares have second preference to dividends and capital distributions and the ordinary shares are entitled to residual amounts of declared dividends and capital distributions after the preference shareholders have received their full entitlements. Only A ordinary shareholders carry voting rights and no share class is redeemable.

As dividends and capital distributions are payable at the discretion of the company all share classes are categorised as equity instruments.

21 Events after the reporting date

On 8 December 2016, the Group disposed of the trade and key assets of group company Seiont Manor Hotel Limited including the Seiont Manor Hotel and fixtures and fittings to a third party, for an amount of £1,340,000. The Group also disposed of the stock as at that date under the same agreement, for an amount of £11,707. After the sale Seiont Manor Hotel Limited changed its name to Yellow Note Limited.

22 Capital commitments	2016	2015
	£	£
Amounts contracted for but not provided in the financial statements	<u>320,035</u>	<u>-</u>

At the period end the group had entered into construction contracts with two unrelated parties for a total amount of £320k (2015: £nil), for refurbishment works on bedrooms and bathrooms, at Rhinefield House Hotel and New Hall Hotel.

23 Defined contribution pension plans

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £626,020 (2015: £654,150). Contributions payable to the fund at the year end included in creditors totalled £77,466 (2015: £69,143).

HAND PICKED HOTELS LIMITED
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24 Commitments under operating leases

Total future minimum lease payments under non-cancellable operating leases:

	2016	2015
	£	£
Group		
Falling due:		
within one year	114,648	124,281
within two to five years	116,017	221,755
	<u>230,665</u>	<u>346,036</u>

	2016	2015
	£	£
Company		
Falling due:		
within one year	66,998	65,039
within two to five years	61,384	115,681
	<u>128,382</u>	<u>180,720</u>

25 Ultimate parent company and controlling party

The company's parent undertaking is Alscot Sarl, which is incorporated in Luxembourg. The ultimate controlling party is Mr G Hands.

26 Reconciliations on adoption of FRS 102

Group

Profit and loss for the period ended 26 November 2015	£
Loss under former UK GAAP	(3,468,338)
Fair value gain on interest rate SWAP (a)	2,533,848
Deferred tax on SWAP (a)	(913,558)
Unwinding of discount on shareholders loans (b)	(1,359,556)

Loss under FRS 102	<u>(3,207,604)</u>
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Balance sheet at 26 November 2015	£
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Equity under former UK GAAP	28,924,696
Holiday pay accrual transitional adjustment (c)	(202,920)
Fair value gain on interest rate SWAP (a)	(20,339,390)
Deferred tax on SWAP (a)	3,661,090
Discounting of loans payable to shareholders (b)	9,725,306
Unwinding of discount on shareholders loans (b)	(1,359,556)

Equity under FRS 102	<u>20,409,226</u>
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Balance sheet at 28 November 2014	£
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Equity under former UK GAAP	27,834,034
Holiday pay accrual transitional adjustment	(202,920)
Fair value gain on interest rate SWAP	(22,873,238)
Deferred tax on SWAP	4,574,648
Discounting of loans payable to shareholders	9,725,306

Equity under FRS 102	<u>19,057,830</u>
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HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
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Note 26 (continued)

Company

Profit and loss for the year ended 26 November 2015		£
Loss under former UK GAAP		(3,557,184)
Fair value gain on interest rate SWAP	(a)	2,533,848
Deferred tax on SWAP	(a)	(913,558)
Unwinding of discount on shareholders loans	(b)	(1,060,802)
Loss under FRS 102		<u>(2,997,696)</u>
Balance sheet at 26 November 2015		£
Equity under former UK GAAP		8,018,723
Holiday pay accrual transitional adjustment	(c)	(7,196)
Fair value liability on interest rate SWAP	(a)	(20,339,390)
Deferred tax on SWAP	(a)	3,661,090
Discounting of loans payable to shareholders	(b)	7,588,228
Unwinding of discount on shareholders loans	(b)	(1,060,802)
Equity under FRS 102		<u>(2,139,347)</u>
Balance sheet at 28 November 2014		£
Equity under former UK GAAP		7,016,907
Holiday pay accrual transitional adjustment	(c)	(7,196)
Fair value liability on interest rate SWAP	(a)	(22,873,238)
Deferred tax on SWAP	(a)	4,574,648
Unwinding of discount on shareholders loans	(b)	7,588,228
Equity under FRS 102		<u>(3,700,651)</u>

- (a) Prior to the adoption of FRS 102, the group did not recognise the fair value of the interest rate SWAP. This is required under FRS 102 therefore this has been retrospectively applied resulting in the recognition of fair value liability on transition and thereafter. This created a deferred tax asset which has also resulted in recognition on transition and thereafter.
- (b) Prior to the adoption of FRS 102, the group did not recognise non-market rate loans from shareholders at fair value (based on future payments discounted at a market rate for a similar instrument). This is required under FRS 102 therefore this has been retrospectively applied resulting in the recognition of a capital contribution reserve on transition and release of interest on transition and thereafter.
- (c) Prior to the adoption of FRS 102, the group did not make provisions for holiday pay earned but not taken. This is required under FRS 102 therefore this has been retrospectively applied resulting in the recognition of a holiday pay accrual on transition and thereafter.