

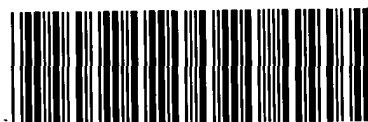
Registered number
3760451

HAND PICKED HOTELS LIMITED

Report and Financial Statements

30 November 2017

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HAND PICKED HOTELS LIMITED
Report and Financial Statements
Contents

	Page
Company Information	1
Strategic Report	2
Directors' Report	4
Independent Auditor's Report	6
Consolidated Statement of Comprehensive Income	8
Consolidated and Company Statements of Financial Position	9
Consolidated and Company Statements of Changes in Equity	10
Consolidated Statement of Cash Flows	11
Notes to the Financial Statements	12

HAND PICKED HOTELS LIMITED
Company Information

Directors

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 30 November 2017

The directors present their strategic report for the 53 week period ended 30 November 2017 (2016: 52 week period).

Business review and key performance indicators

The financial results for the period ended 30 November 2017 are contained in the consolidated statement of comprehensive income on page 8 of the report and financial statements.

The group turnover has decreased by 0.3% to £61.7m. On the 8th December 2016 the group sold one of its properties, the Seiont Manor Hotel, which has impacted the turnover comparison. In the prior year the turnover at Seiont Manor was £1.2m. The group has therefore delivered a 1.7% like-for-like growth in revenue on account of having growth in average room rates of 3.4% with a small drop in occupancy of 0.8%.

Adjusted EBITDA (being Earnings before interest, taxation, depreciation and amortisation, excluding profit on disposal of fixed assets) has increased to £9.3m compared with £8.5m in the prior period.

Loss on ordinary activities before taxation was £0.2m in 2017 (2016: £3.5m).

During the period, the group operated fifteen (2016: sixteen) upmarket country house hotels, and maintained operating profitability through a programme of improvements to services and facilities.

The group added a further hotel, Stanbrook Abbey Hotel, to its managed portfolio within the period and now operates five properties under management contracts.

The total portfolio at the end of the period contained 1,342 bedrooms (2017: 1,315).

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 7 March 2018, the entire share holdings of the company held by its ultimate parent, Alscot S.a.r.l, were transferred to Hand Picked Hotels Holdings (Guernsey) Limited resulting in Hand Picked Hotels Holdings (Guernsey) Limited becoming the ultimate parent of the company as at that date.

Financial position

The group is well positioned with net current assets, excluding deferred taxation on interest rate swaps, of £5.3m (2016: £7.6m) and net assets of £28.4m (2016: £29.6m). Shareholder debt is unchanged from 2016 at £29.6m (£24.3m per the financial statements, net of unamortised discount) and external gearing on the group hotel assets is an acceptable 58% (2016: 57%), 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 30 November 2017

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;
- leisure and conferencing buying patterns;
- 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 and conferencing 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.

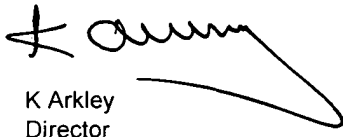
Personnel

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 11th June 2018 and signed on its behalf.



K Arkley
Director

HAND PICKED HOTELS LIMITED

Registered number: 3760451

Directors' Report

The directors present their report and the financial statements for the 53 week period ended 30 November 2017 (2016: 52 week period).

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 £0.2m (2017: £3.5m).

No dividends have been paid during the period ended 30 November 2017 (2016 £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	- resigned 9 March 2018
K Arkley	
D Waddell	
S Fairs	
M Mahr	

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 preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

In preparing these financial statements, the directors are required to:

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

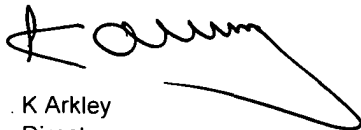
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

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 11th June 2018 and signed on its behalf.



K Arkley
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 (the 'Company') and its subsidiaries (the "Group") for the period ended 30 November 2017 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 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group and the parent company's affairs as at 30 November 2017 and of the group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 other information comprises the information included in the Report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 4, 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. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Ian Clayden (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London

Date: *11 June 2018*

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 ended 30 November 2017

	Notes	2017 £	2016 £
Turnover		61,677,682	61,876,078
Cost of sales		(13,418,656)	(13,966,903)
Gross profit		48,259,026	47,909,175
Administrative expenses		(50,255,475)	(49,363,848)
Profit on disposal of fixed assets	10	40,198	1,549,773
Other operating income	3	4,219,779	3,328,534
Adjusted EBITDA *		9,290,761	8,451,056
Profit on disposal of fixed assets		40,198	1,549,773
Depreciation	10	(7,067,431)	(6,577,195)
Operating profit	4	2,263,528	3,423,634
Interest receivable and similar charges	7	3,122	6,787
Interest payable and similar charges	7	(8,768,335)	(8,565,964)
Fair value gains on financial instruments	18	6,288,224	1,588,090
Loss on ordinary activities before taxation		(213,461)	(3,547,453)
Tax on loss on ordinary activities	8	(1,068,998)	(473,369)
Loss for the period		(1,282,459)	(4,020,822)
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		(1,282,459)	(4,020,822)

* Earnings before interest, taxation, depreciation and amortisation, excluding profit on disposal of fixed assets

All amounts relate to continuing operations.

The notes on page 12 to 27 form part of these financial statements.

HAND PICKED HOTELS LIMITED

Registration number: 3760451

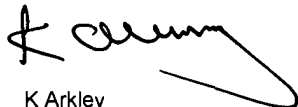
**Consolidated and Company Statements of Financial Position
as at 30 November 2017 and 24 November 2016**

	Notes	30 November 2017		24 November 2016	
		Group £	Company £	Group £	Company £
Fixed assets					
Intangible assets		22	-	22	-
Tangible assets	10	137,142,998	1,137,707	139,734,319	1,174,956
Investments	11	-	69,371,433	-	69,371,433
		<u>137,143,020</u>	<u>70,509,140</u>	<u>139,734,341</u>	<u>70,546,389</u>
Current assets					
Stocks	12	741,331	174,199	737,228	193,635
Debtors	14	8,087,845	76,105,358	8,113,685	77,086,436
Cash at bank and in hand	13	16,703,866	1,399,339	21,006,582	6,684,158
		<u>25,533,042</u>	<u>77,678,896</u>	<u>29,857,495</u>	<u>83,964,229</u>
Creditors: amounts falling due within one year	15	(18,080,403)	(27,850,143)	(19,025,206)	(30,659,603)
Net current assets		<u>7,452,639</u>	<u>49,828,753</u>	<u>10,832,289</u>	<u>53,304,626</u>
Total assets less current liabilities		<u>144,595,659</u>	<u>120,337,893</u>	<u>150,566,630</u>	<u>123,851,015</u>
Creditors: amounts falling due after more than one year	16	(116,239,714)	(110,833,909)	(120,928,226)	(115,850,480)
Net assets		<u>28,355,945</u>	<u>9,503,984</u>	<u>29,638,404</u>	<u>8,000,535</u>
Capital and reserves					
Called up share capital	20	100,708,885	100,708,885	100,708,885	100,708,885
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		(83,012,307)	(98,793,129)	(81,729,848)	(100,296,578)
Total equity		<u>28,355,945</u>	<u>9,503,984</u>	<u>29,638,404</u>	<u>8,000,535</u>

The notes on page 12 to 27 form part of these financial statements.

No profit and loss account is presented for Hand Picked Hotels Limited as permitted by section 408 of the Companies Act 2006. The company profit / (loss) for the period ending 30 November 2017 is £1,503,449 (2016: loss of £3,110,118).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11th June 2018.



K Arkley
Director

HAND PICKED HOTELS LIMITED
**Consolidated and Company Statements of Changes in Equity
for the period ended 30 November 2017**

Group	Merger reserve £	Share capital £	Capital contribution reserve £	Profit and loss account £	Total equity £
At 25 November 2016	934,061	100,708,885	9,725,306	(81,729,848)	29,638,404
Loss for the period	-	-	-	(1,282,459)	(1,282,459)
Shares issued	-	-	-	-	-
At 30 November 2017	<u>934,061</u>	<u>100,708,885</u>	<u>9,725,306</u>	<u>(83,012,307)</u>	<u>28,355,945</u>

At 27 November 2015	934,061	87,458,885	9,725,306	(77,709,026)	20,409,226
Loss for the financial year	-	-	-	(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>

Company	Share capital £	Capital contribution reserve £	Profit and loss account £	Total equity £
At 25 November 2016	100,708,885	7,588,228	(100,296,578)	8,000,535
Profit for the period	-	-	1,503,449	1,503,449
Shares issued	-	-	-	-
At 30 November 2017	<u>100,708,885</u>	<u>7,588,228</u>	<u>(98,793,129)</u>	<u>9,503,984</u>

At 27 November 2015	87,458,885	7,588,228	(97,186,460)	(2,139,347)
Loss for the financial year	-	-	(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>

The notes on page 12 to 27 form part of these financial statements.

HAND PICKED HOTELS LIMITED
Consolidated Statement of Cash Flows
for the period ended 30 November 2017

	2017 £	2016 £
Cash flows from operating activities		
Loss for the financial period	(1,282,459)	(4,020,822)
Adjustments for:		
Depreciation	7,067,431	6,577,195
Tax charge	1,068,998	473,369
Gain on disposal of tangible assets	(40,198)	(1,549,773)
Fair value (loss) / gain on financial instruments	(6,288,224)	(1,588,090)
Amortisation of debt issue cost	57,500	57,500
(Increase)/decrease in stocks	(4,103)	48,174
(Increase)/decrease in debtors	(1,093,436)	1,241,257
Increase in creditors	835,053	205,252
Interest receivable	(3,122)	(6,787)
Interest payable	8,768,335	8,565,964
Net cash generated by operating activities	<u>9,085,775</u>	<u>10,003,239</u>
Cash flows from investing activities		
Payments to acquire tangible fixed assets	(5,905,825)	(6,151,916)
Proceeds from sale of tangible fixed assets	1,399,483	3,851,358
Net cash used in investing activities	<u>(4,506,342)</u>	<u>(2,300,558)</u>
Cash flows from financing activities		
Proceeds from the issue of shares	-	13,250,000
Net interest paid	(8,882,149)	(7,210,602)
Net cash (used by)/generated by financing activities	<u>(8,882,149)</u>	<u>6,039,398</u>
Net (decrease)/increase in cash and cash equivalents	<u>(4,302,716)</u>	<u>13,742,079</u>
Cash and cash equivalents at beginning of the period	<u>21,006,582</u>	<u>7,264,503</u>
Cash and cash equivalents at the end of the period	<u>16,703,866</u>	<u>21,006,582</u>
Cash and cash equivalents comprise:		
Cash at bank	<u>16,703,866</u>	<u>21,006,582</u>

The notes on page 12 to 27 form part of these financial statements.

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period ended 30 November 2017

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 group's financial statements have been prepared on a 53 week period (2016: 52 week period).

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).

The following principal accounting policies have been applied consistently throughout the preceding and current periods.

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:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be the same;
- 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 (reduced from previous years) and net current assets, resulting principally from the shareholders equity contribution in the prior year. The group has considerable financial resources and continues to be cash generative at operating level. However, despite continuous capex investment and debt service currently exceeding cash inflows from operations, the directors believe that with ongoing investment the company and group are 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 30 November 2017.

No profit and loss account is presented for Hand Picked Hotels Limited as permitted by section 408 of the Companies Act 2006. The company profit for the period ending 30 November 2017 is £1,503,449 (2016: Loss £3,110,118).

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period ended 30 November 2017

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 fulfills 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 ended 30 November 2017

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. For lease entered into after the FRS102 transition date, reverse premiums and similar incentives granted to enter into lease arrangements are related to profit or loss over the term of the lease.

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period ended 30 November 2017

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 ended 30 November 2017

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 2017 of £4,219,779 (2016: £3,828,534) was in respect of: management fees and service fees from managed contracts of £4,070,341 (2016: £3,100,209) and "loss of profits" claims due from insurers of £149,438 (2016: £228,325) following a fire at one of the hotels.

4 Operating profit	2017	2016
	£	£
This is stated after charging:		
Depreciation of owned fixed assets	7,067,431	6,577,195
Operating lease rentals - plant and machinery	124,025	127,095
Auditors' remuneration for audit services	22,760	32,700
Auditors' remuneration for other services:		
The audit of the company's subsidiaries pursuant to legislation	64,000	64,000
Taxation	29,400	29,400

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period ended 30 November 2017

5 Directors' emoluments	2017	2016
	£	£
Emoluments	715,032	540,227
Contributions to defined contribution pension plans	89,362	72,275
	<u>804,394</u>	<u>612,502</u>
The number of directors receiving pension contributions in the period was four (2016: four).		
Highest paid director:		
Emoluments	196,001	193,037
Contributions to defined contribution pension plans	19,601	19,304
	<u>215,602</u>	<u>212,341</u>
6 Staff costs	2017	2016
	£	£
Wages and salaries	26,060,056	25,850,213
Social security costs	1,952,505	1,830,040
Other pension costs	716,565	626,020
	<u>28,729,126</u>	<u>28,306,273</u>
Agency staff	1,312,411	1,138,914
	<u>30,041,537</u>	<u>29,445,187</u>
Average number of employees during the period	Number	Number
Hotel operations	889	964
Administration	176	169
	<u>1,065</u>	<u>1,133</u>
7 Interest receivable/payable	2017	2016
	£	£
Interest receivable and similar income		
Bank and other interest	<u>3,122</u>	<u>6,787</u>
Interest payable and similar charges		
Bank loans and overdrafts	7,212,138	7,111,149
Unwinding of discount on shareholder loans	1,556,197	1,454,815
	<u>8,768,335</u>	<u>8,565,964</u>

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period ended 30 November 2017

8 Taxation	2017	2016
	£	£
Current tax		
UK corporation tax at 19.35% (2016: 20%)	-	-
Deferred tax		
Origination and reversal of timing differences	1,068,998	269,975
Effect of tax rate change on opening balance	-	203,394
	<u>1,068,998</u>	<u>473,369</u>
Movement in deferred tax provision		
Provision at start of period	(3,187,721)	(3,661,090)
Deferred tax charged in the statement of comprehensive income for the period	1,068,998	473,369
	<u>(2,118,723)</u>	<u>(3,187,721)</u>
Reconciliation of tax charge		
Loss on ordinary activities before tax	(213,461)	(3,547,453)
Tax on loss on ordinary activities at standard CT rate 19.35%	(41,305)	(707,828)
Effects of:		
Expenses not deductible for tax purposes	1,257,560	888,366
Capital gains	43,260	73,831
Group relief surrendered	(137,393)	-
Deferred tax not recognised	155,014	(110,707)
Difference in UK tax rates	(126,234)	435,184
Difference in overseas tax rates	(81,904)	(105,477)
Tax charge for the period	<u>1,068,998</u>	<u>473,369</u>

The group has potential deferred tax assets of £3,366,758 (2016: £3,883,000) and £1,228,000 (2016: £1,228,000) 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.

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period ended 30 November 2017

9 Related party transactions

The unsecured loan stock within creditors, amounts falling due after more than one year, includes an amount of £11,147,548 (2016: £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 (2016: £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 (2016 £7,600,000) by the company.

Included within creditors, amounts falling due after more than one year, at 30 November 2017 is secured loan stock of £3,945,000 (2016: £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 30 November 2017 are other loan creditors of £100,000 (2016: £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 30 November 2017 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 is included an amount of £136,605 (2016: £220,879 and £206,476 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 30 November 2017 of £597,906 (2016: £631,618), plus amounts due from Bailbrook House Hotel (No2) Limited for other purposes.

Within debtors for the group and company is included an amount of £15,883 (2016: £15,683) which is an amount due from Bailbrook House Hotel Limited, a related party. Management charges and service fees for the period ending 30 November 2017 of £12,125 (2016: £6,882) were charged by Hand Picked Hotels Limited.

Within debtors for the group and company is included an amount of £218,295 (2016: £290,244) 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 period ending 30 November 2017 of £781,250 (2016: £802,030), plus amounts due from Fawsley Hall (No2) Limited for other purposes.

Within debtors for the group and company is included an amount of £30,783 (2016: £13,401) which is due from Fawsley Hall Limited, a related party. This relates to the outstanding balance of management charges and service fees for the period ending 30 November 2017 of £11,575 (2016: £9,712), plus amounts due from Fawsley Hall Hotel Limited for other purposes.

Within debtors for the group and company is included an amount of £765,184 (2016: £161,626) which is due from SPP Holdings Limited, a related party. This being for the outstanding balance of management charges and service fees for the period ending 30 November 2017 of £906,164 (2015: £701,808), plus amounts due from SPP Holdings Limited for other purposes.

Within debtors for the group and company is included an amount of £379,422 (2016: £310,728) 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 period ending 30 November 2017 of £949,550 (2016: £940,050).

Within debtors for the group and company is included an amount of £151,716 (2016: £nil) which is due from Stanbrook Abbey Hotel Limited, a related party. This being for the outstanding balance of management charges and service fees for the period ending 30 November 2017 of £610,791 (2016: £nil).

Included within turnover is an amount of £93,581 (2016: £83,363) in respect of sales to Terra Firma Capital Management Ltd, whose chairman, Mr G Hands, is the ultimate controlling party.

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 ended 30 November 2017

10 Tangible fixed assets

Group	Freehold land and buildings £	Long leasehold land and buildings £	Fixtures and fittings £	Total £
Cost				
At 25 November 2016	100,223,864	14,145,584	70,407,849	184,777,297
Additions	-	-	5,775,006	5,775,006
Disposals	(871,735)	-	(11,576,450)	(12,448,185)
At 30 November 2017	<u>99,352,129</u>	<u>14,145,584</u>	<u>64,606,405</u>	<u>178,104,118</u>
Depreciation				
At 25 November 2016	11,199,338	2,229,613	31,614,026	45,042,977
Charge for the period	662,114	224,273	6,181,044	7,067,431
On disposals	(89,884)	-	(11,059,404)	(11,149,288)
At 30 November 2017	<u>11,771,568</u>	<u>2,453,886</u>	<u>26,735,666</u>	<u>40,961,120</u>
Carrying amount				
At 30 November 2017	<u>87,580,561</u>	<u>11,691,698</u>	<u>37,870,739</u>	<u>137,142,998</u>
At 24 November 2016	<u>89,024,526</u>	<u>11,915,971</u>	<u>38,793,822</u>	<u>139,734,319</u>

Included in land and buildings is freehold land of £23,024,465 (2016: £23,024,465) which is not depreciated.

During the year the remaining assets of Seiont Manor Hotel were sold for a consideration in excess of their net carrying value.

Company	Freehold land and buildings £	Fixtures and fittings £	Total £
Cost			
At 25 November 2016	865,638	897,945	1,763,583
Additions	-	124,048	124,048
Disposals	-	(112,883)	(112,883)
At 30 November 2017	<u>865,638</u>	<u>909,110</u>	<u>1,774,748</u>
Depreciation			
At 25 November 2016	181,004	407,623	588,627
Charge for the period	11,313	149,984	161,297
On disposals	-	(112,883)	(112,883)
At 30 November 2017	<u>192,317</u>	<u>444,724</u>	<u>637,041</u>
Carrying amount			
At 30 November 2017	<u>673,321</u>	<u>464,386</u>	<u>1,137,707</u>
At 24 November 2016	<u>684,634</u>	<u>490,322</u>	<u>1,174,956</u>

Included in land and buildings is freehold land of £300,000 (2016: £300,000) which is not depreciated.

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period ended 30 November 2017

11 Investments

	Subsidiary undertakings £
Cost	
At 24 November 2016 and 30 November 2017	78,611,374
Provision	
At 24 November 2016	9,239,941
Reversal in period	-
At 30 November 2017	<u>9,239,941</u>
Net book value	
At 30 November 2017	<u>69,371,433</u>
At 24 November 2016	<u>69,371,433</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%	Non-trading
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
Wy (Priest House) Limited	England and Wales	100%	Non-trading
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

The registered address of all companies is The Old Library, The Drive, Sevenoaks, Kent TN13 3AB except for Hotel L'Horizon Limited which is Portman House, Hue Street, St Helier, Jersey JE4 5RP.

* Held by subsidiary undertaking

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period ended 30 November 2017

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	2017	2016
	£	£
Group		
Goods for resale	<u>741,331</u>	<u>737,228</u>

Stock recognised in cost of sales during the period for the group as an expense was £6,996,557 (2016: £7,334,054).

Company		
Goods for resale	<u>174,199</u>	<u>193,635</u>

Stock recognised in cost of sales during the period for the company as an expense was £25,645 (2016: £31,090).

13 Cash and cash equivalents

Included within cash at bank and in hand is an amount of £152,923 (2016: £117,499), 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	2017	2016
	£	£
Group		
Trade debtors	1,470,893	1,402,127
Amounts due from related undertakings (see note 9)	1,697,888	1,012,559
Other debtors	2,053,471	1,878,788
Prepayments	746,870	632,490
Deferred taxation asset (see note 19)	<u>2,118,723</u>	<u>3,187,721</u>
	<u>8,087,845</u>	<u>8,113,685</u>
Company		
Amounts due from subsidiary undertakings	71,090,447	72,086,100
Other debtors	1,039,922	680,960
Prepayments	158,378	133,497
Amounts due from related undertakings (see note 9)	1,697,888	998,158
Deferred taxation asset (see note 19)	<u>2,118,723</u>	<u>3,187,721</u>
	<u>76,105,358</u>	<u>77,086,436</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 ended 30 November 2017

15 Creditors: amounts falling due within one year

	2017	2016
	£	£
Group		
Payments in advance	7,911,973	7,821,872
Other loans (see note 17)	470,000	470,000
Trade creditors	3,407,528	3,265,148
Other taxes and social security costs	2,126,118	1,592,011
Other creditors	2,264,480	657,328
Accruals	1,900,304	5,218,847
	<u>18,080,403</u>	<u>19,025,206</u>
Company		
Other loans (see note 17)	470,000	470,000
Payments in advance	417,262	357,833
Trade creditors	916,046	1,038,832
Amounts due to subsidiary undertakings	25,049,448	26,191,285
Other taxes and social security costs	211,049	102,526
Other creditors	389,574	219,448
Accruals	396,764	2,279,679
	<u>27,850,143</u>	<u>30,659,603</u>

16 Creditors: amounts falling due after one year

	2017	2016
	£	£
Group		
Bank loans (see note 17)	79,806,500	79,749,000
Secured loan stock (see note 17)	3,220,295	3,009,621
Unsecured loan stock (see note 17)	20,572,786	19,226,903
Other creditors	177,057	191,402
Interest rate swap (see note 18)	12,463,076	18,751,300
	<u>116,239,714</u>	<u>120,928,226</u>
Company		
Bank loans (see note 17)	79,806,500	79,749,000
Secured loan stock (see note 17)	3,220,295	3,009,621
Unsecured loan stock (see note 17)	15,344,038	14,340,559
Interest rate swap (see note 18)	12,463,076	18,751,300
	<u>110,833,909</u>	<u>115,850,480</u>

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period ended 30 November 2017

17 Loans	2017	2016
Group		
Bank loans (1)	80,000,000	80,000,000
Secured loan stock (2) (see note 9)	3,220,295	3,009,621
Unsecured loan stock (3) (see note 9)	20,572,786	19,226,902
Other loans (see note 9)	470,000	470,000
	<u>104,263,081</u>	<u>102,706,523</u>
Less: unamortised issue costs	(193,500)	(251,000)
	<u>104,069,581</u>	<u>102,455,523</u>
Amounts falling due:		
Within one year or on demand	470,000	470,000
Between two and five years	103,599,581	101,985,523
	<u>104,069,581</u>	<u>102,455,523</u>
	2017	2016
	£	£
Company		
Bank loans (1)	80,000,000	80,000,000
Secured loan stock (2) (see note 9)	3,220,295	3,009,621
Unsecured loan stock (3) (see note 9)	15,344,038	14,340,559
Other loans (see note 9)	470,000	470,000
	<u>99,034,333</u>	<u>97,820,180</u>
Less: unamortised issue costs	(193,500)	(251,000)
	<u>98,840,833</u>	<u>97,569,180</u>
Amounts falling due:		
Within one year or on demand	470,000	470,000
Between two and five years	98,370,833	97,099,180
	<u>98,840,833</u>	<u>97,569,180</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 2017 was of £210,674 interest payable (£196,891 in 2016).

(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 2017 was of £1,346k interest payable by the group and £1,004k payable by the company (£1,258k and £938k in 2016).

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period ended 30 November 2017

18 Financial Instruments

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

	2017 £	2016 £
Financial assets		
Financial assets measured at amortised cost	21,926,118	13,267,231
	<u>21,926,118</u>	<u>13,267,231</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(111,818,950)	(105,371,779)
Derivative financial instruments - interest rate swaps: valuation	(12,463,076)	(18,751,300)
	<u>(124,282,026)</u>	<u>(124,123,079)</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

	2017 £	2016 £
Group and company		
Deferred tax asset	2,118,723	3,187,721

	2017 £	2016 £
At 25 November	3,187,721	3,661,090
Credited to statement of comprehensive income	(1,068,998)	(473,369)
At 30 November	<u>2,118,723</u>	<u>3,187,721</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
Notes to the Financial Statements
for the period ended 30 November 2017

20 Share capital	2017	2016	2017	2016
	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	65,789,000	65,789,000	65,789,000
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>100,708,885</u>

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 17 January 2018, Hendon Hall Hotel Limited exchanged contracts to sell Hendon Hall Hotel to Galliard Homes. Completion is expected to take place on 18 March 2019.

22 Capital commitments	2017	2016
	£	£
Amounts contracted for but not provided in the financial statements	<u>516,766</u>	<u>320,035</u>

At the period end the group had entered into construction contracts with unrelated parties for a total amount of £517k (2016: £320k), for refurbishment works, at Brandshatch Place Hotel, Buxted Park Hotel, Crathorne Hall Hotel, Ettington Park Hotel, L'Horizon Beach Hotel, New Hall Hotel, Norton House Hotel and Rookery 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 £716,565 (2016: £626,020). Contributions payable to the fund at the year end included in creditors totalled £56,155 (2016: £77,466).

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period ended 30 November 2017

24 Commitments under operating leases

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

	2017	2016
	£	£
Group		
Falling due:		
within one year	91,229	114,648
within two to five years	210,063	116,017
	<u>301,292</u>	<u>230,665</u>

	2017	2016
	£	£
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

On 7 March 2018, the entire share holdings of the company held by its ultimate parent, Alscot S.a.r.l, were transferred to Hand Picked Hotels Holdings (Guernsey) Limited resulting in Hand Picked Hotels Holdings (Guernsey) Limited becoming the ultimate parent of the company as of that date.
The ultimate controlling party is Mr G Hands.