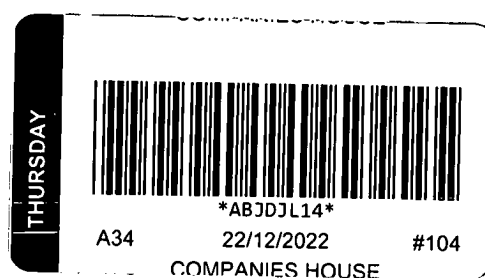


Registered number
3760451

HAND PICKED HOTELS LIMITED

Report and Financial Statements

For the period ending 30 December 2021



HAND PICKED HOTELS LIMITED
Company Information

Directors

D Waddell
P Herbert
D Ashworth
D Anderson
D Seymour
M Nicholas

Secretary

Vistra 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
Report and Financial Statements
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HAND PICKED HOTELS LIMITED
Strategic Report
for the period ended 30 December 2021

The directors present their strategic report for the 57 week period ended 30 December 2021.

Business review and key performance indicators

The financial results for the period ended 30 December 2021 are contained in the consolidated statement of comprehensive income on page 9 of the report and financial statements.

The group turnover has increased by 69% to £38.2m (2020: £22.6m). The operating loss was £10.8m for the period, compared with a loss of £13.5m in 2020, and loss on ordinary activities before taxation was £10.0m in 2021 (2020: £19.1m). The upturn in performance is caused by the phased reopening of the hotels within the portfolio in line with government guidelines, which were temporarily closed as a result of the coronavirus pandemic, along with an extended period of 57 weeks.

During the period, the group operated fourteen (2020: fourteen) upmarket country house hotels, and maintained operating profitability through a programme of improvements to services and facilities.

The group also operates seven properties under management contracts (2020: four). In September 2021, three new hotels were acquired by Hand Picked Hotels Holdings (Guernsey) Limited, and these are now being managed by the group.

The total portfolio at the end of the period contained 1,381 bedrooms (2020: 1,300).

Despite the challenging current economic climate and near-term outlook, the directors still remain optimistic as to the future success of the company and group. The group has continued to refine its business model during the period by placing additional focus on a high quality strategy, designed to enhance the experience of guests and, in turn, maximise the yield gained from its assets.

Financial position

The group has net current liabilities, excluding short term loans, of £6.3m (2020: £7.3m) and net liabilities of £15.4m (2020: £5.1m). Shareholder debt was £118.7m at the period end (2020: £80.6m), and following external bank loan repayments of £30m in FY21 external gearing on the group hotel assets is 0% (2020: 26%), calculated based on amortised cost (as per the group's accounting policy).

Subsequent to the period end, the shareholders have provided additional loan facilities to the company and group of £7.8m to support the group's working capital.

Principal risks and uncertainties

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

- financial and operational impact of the coronavirus pandemic;
- other economic conditions such as recession and the currency, supply chain, utility prices, the human capital impact of Brexit, the ongoing conflict in Ukraine, and other macroeconomic factors;
- 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.

HAND PICKED HOTELS LIMITED
Strategic Report (continued)
for the period ended 30 December 2021

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. In addition, we will take on additional management agreements to operate hotels acquired by our parent company Hand Picked Hotels Holdings (Guernsey) Limited.

Since re-opening after Covid, we have seen buoyant demand in many of the sectors that the business serves, resulting in improved performance reflecting the success of our focus on a high quality product under the refined business model. International visitors and business conferences and events saw a significant reduction globally during the pandemic, but the group believes we are well placed to serve these markets too as confidence gradually returns to these sectors.

All current indicators suggest that our customers' appetite for our products is strong and that the group's key target markets will continue to grow significantly in future.

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.

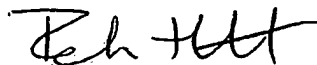
Personnel

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 *21 December 2022*



P Herbert
Director

HAND PICKED HOTELS LIMITED

Registered number: 3760451

Directors' Report

The directors present their report and financial statement for the 57 week period ended 30 December 2021.

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 after tax for the period was £10.3m (2020: £19.9m).

As mentioned in the Strategic Report, the key contributor to the decrease in the loss was the reopening of the hotels in line with government guidelines, which were temporarily closed due to the coronavirus pandemic.

No dividends have been paid during the current or previous period.

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 effectively fixed interest.

During the year, the group and company settled its borrowings in sterling on fixed and floating interest rates with an interest rate swap in place. The counterparty to the majority of the group's financial liabilities (other than its shareholders) is its trade creditors and customers with regard to payments received in advance.

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.

Post balance sheet events

Subsequent to the period end, the company and group has received funding of £7.78m of shareholder support through loans from Hand Picked Hotels Holdings (Guernsey) Limited. The loans are interest free and repayable on demand.

Going Concern

The global and UK outbreak of coronavirus during the previous period presented an unprecedented set of circumstances across the globe, and resulted in the group's hotels being forced to close from March until July 2020. A phased reopening thereafter was subsequently impacted with further lockdown requirements towards the end of the year, into early 2021. The group's hotels then operated under associated levels of restriction through until the early part of 2022, following the Omicron variant.

The Company and Group have relied on additional funding from its principal shareholders during the period and remain reliant on this support. Whilst the directors have received written assurances from the shareholders that this support will continue, this is not legally committed and therefore represent a material uncertainty that may cast significant doubt over the Company's and Group's ability to continue as a going concern.

However, given the shareholders' history and intention to provide financial support, the directors have concluded that it remains appropriate to prepare the financial statements on the going concern basis.

Further information in this regard is provided in Note 1 to these financial statements.

HAND PICKED HOTELS LIMITED

Registered number: 3760451

Directors' Report (continued)

Streamlined Energy & Carbon Reporting (SECR)

The company is required to report its energy use and carbon emissions in accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The board recognise the responsibilities and role of the company to reduce its impact on the environment, and are committed to year-on-year improvements in their operational energy efficiency. A programme of energy efficiency audits have been started through the reporting year, with the view that these will be utilised for ESOS compliance in 2023. These audits will highlight additional energy efficiency improvements possible for the company to implement across the group for the years to come. Also, a register of energy efficiency measures has been compiled, with a view to implementing these measures over the next 5 years.

Emissions data and totals:

Hand Picked Hotels total energy consumption across the group for the period was 28,485 MWh (2020: 24,258 MWh), resulting in gross carbon emissions of 5,596 tCO₂e (2020: 4,979 tCO₂e). Considering an intensity metric of emissions by floor area covered, the company generated 85.15 tCO₂e per thousand metres squared (2020: 75.76 tCO₂e).

HPH's Scope 1 and 2 direct emissions (combustion of natural gas and transportation fuels) for this period of reporting are 2,866.79 tCO₂e (2020: 2,541.67 tCO₂e), resulting from the direct combustion of 15,632,109 kWh (2020: 13,805,995 kWh) of fuel.

Scope 2 indirect emissions (purchased electricity) for this period of reporting are 2,729 tCO₂e (2020: 2,436.92 tCO₂e), resulting from the consumption of 12,852,641 kWh (2020: 10,452,584 kWh) of electricity purchased and consumed in day-to-day business operations.

Energy Efficiency Improvements:

Building Management Systems (BMS) - Hand Picked Hotels are currently carrying out an optimisation project on their BMS at a few selected hotels. Should this pilot be successful, this will be rolled out across the wider estate to further reduce unnecessary energy use throughout the HVAC systems.

Energy Surveys (2022) - This measure is prioritised for implementation in 2022. Hand Picked Hotels are looking to carry out further energy assessments across the estate to identify areas of recommended energy efficiency upgrades. This includes the continued decarbonisation across the company.

Methodology - This data has been prepared by Net Zero Compliance (a division of Inspired Energy PLC) for Hand Picked Hotels by means of interpreting the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 as they apply to information supplied by Hand Picked Hotels and its energy suppliers. Scope 1 and 2 consumption and CO₂e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance. The Emission Factor Databases consistent with the 2019 UK Government environmental reporting guidance have been used, utilising the current published kWh gross calorific value (CV) and kgCO₂e emissions factors relevant for reporting year FY21.

This is the second period of reporting SECR for the company and group.

HAND PICKED HOTELS LIMITED

Registered number: 3760451

Directors' Report (continued)

Directors

The following persons served as directors during the period:

D Waddell	
K Arkley	(resigned on 2 July 2021)
S Fairs	(resigned on 1 April 2021)
C Webster	(appointed on 1 February 2021; resigned on 29 November 2022)
H O'Connor	(appointed on 1 April 2021; resigned on 21 October 2022)

Subsequent to the period end, the following directors were appointed:

P Herbert	(appointed on 8 August 2022)
D Ashworth	(appointed on 3 August 2022)
D Anderson	(appointed on 14 June 2022)
D Seymour	(appointed on 4 October 2022)
M Nicholas	(appointed on 31 October 2022)

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.

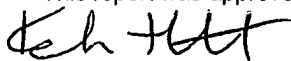
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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 21 December 2022 and signed on its behalf.



P Herbert
Director

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

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 December 2021 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.

We have audited the financial statements of Hand Picked Hotels Limited ("the Parent Company") and its subsidiaries ("the Group") for the period ended 30 December 2021 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent 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.

Material uncertainty relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

We draw attention to note 1 to the financial statements which explains that the Company and Group remain reliant on the ongoing support of the ultimate shareholders, which is not legally binding, to enable them to continue as a going concern. As explained in note 1, these events, along with the other matters set out in note 1, indicate that a material uncertainty exists that may cast significant doubt over and Company's and Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the 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. 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

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Group and the Parent 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, 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 Group's and the Parent 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 Group or the Parent 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Parent Company. These include, but are not limited to, compliance with the Companies Act, United Kingdom Generally Accepted Accounting Practice and tax legislation.
- We considered compliance with these laws and regulations through discussions with management and those charged with governance.

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

• We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. We identified the potential for in the following areas and performed the following procedures:

o management override of controls: we evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates and judgements. Audit procedures performed included:

o challenging assumptions made by management in their significant accounting estimates;
o identifying and testing journal entries, in particular any journal entries to revenue which are not in line with expectations and reviewing journal entries for journals inconsistent with the usual transactions of the company.

o revenue recognition: existence of revenue, application of cut off at, and measurement of accrued income to, the year-end. We reconciled annual revenue to cash receipts, reviewed transactions pre and post year end to check that the associated revenue is reflected in the correct period.

- We identified areas at risk of management bias and reviewed key estimates and judgements applied by Management in the financial statements to assess their appropriateness; and
- We remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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.

DocuSigned by:

Ian Clayden

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Ian Clayden (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London

United Kingdom

Date: 22 December 2022

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 December 2021

	Notes	2021 £	2020 £
Turnover		38,229,235	22,636,298
Cost of sales		(8,708,036)	(5,653,322)
Gross profit		<u>29,521,199</u>	<u>16,982,976</u>
Administrative expenses		(45,146,686)	(40,117,596)
Other operating income	3	5,112,167	7,345,426
Operating loss before gains and impairments on fixed assets		<u>(10,513,320)</u>	<u>(15,789,195)</u>
Gain on disposal of fixed assets		2,623	2,287,380
Impairment of tangible fixed assets		(319,342)	-
Operating loss	4	<u>(10,830,039)</u>	<u>(13,501,815)</u>
Interest receivable and similar charges	7	2,630	3,197
Interest payable and similar charges	7	(470,909)	(9,741,759)
Fair value gains on financial instruments		1,287,714	4,113,599
Loss on ordinary activities before taxation		<u>(10,010,604)</u>	<u>(19,126,778)</u>
Tax on loss on ordinary activities	8	(244,666)	(781,583)
Loss for the period		<u>(10,255,270)</u>	<u>(19,908,361)</u>
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		<u>(10,255,270)</u>	<u>(19,908,361)</u>

All amounts relate to continuing operations.

The notes on page 13 to 29 form part of these financial statements.

HAND PICKED HOTELS LIMITED

Registration number: 3760451

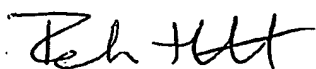
Consolidated and Company Statements of Financial Position
as at 30 December 2021 and 26 November 2020

	Notes	30 December 2021		26 November 2020	
		Group £	Company £	Group £	Company £
Fixed assets					
Intangible assets		22	-	22	-
Tangible assets	10	109,785,192	1,568,843	113,635,877	1,600,174
Investments	11	-	52,086,670	-	55,349,411
		<u>109,785,214</u>	<u>53,655,513</u>	<u>113,635,899</u>	<u>56,949,585</u>
Current assets					
Stocks	12	650,070	33,133	393,438	29,203
Debtors	14	5,203,506	54,436,259	3,968,988	52,529,579
Cash at bank and in hand	13	4,492,457	607,448	5,986,291	3,795,677
		<u>10,346,033</u>	<u>55,076,840</u>	<u>10,348,717</u>	<u>56,354,459</u>
Creditors: amounts falling due within one year	15	(135,307,916)	(136,101,649)	(128,796,885)	(135,003,047)
Net current liabilities		<u>(124,961,883)</u>	<u>(81,024,809)</u>	<u>(118,448,168)</u>	<u>(78,648,588)</u>
Total assets less current liabilities		<u>(15,176,669)</u>	<u>(27,369,296)</u>	<u>(4,812,269)</u>	<u>(21,699,003)</u>
Creditors: amounts falling due after more than one year	16	(190,705)	(69,230)	(299,835)	(164,375)
Net liabilities		<u>(15,367,374)</u>	<u>(27,438,526)</u>	<u>(5,112,104)</u>	<u>(21,863,378)</u>
Capital and reserves					
Called up share capital	20	100,708,885	100,708,885	100,708,885	100,708,885
Capital contribution reserve		14,455,810	12,318,732	14,455,810	12,318,732
Merger reserve		934,061	-	934,061	-
Profit and loss account		(131,466,130)	(140,466,143)	(121,210,860)	(134,890,995)
Total equity		<u>(15,367,374)</u>	<u>(27,438,526)</u>	<u>(5,112,104)</u>	<u>(21,863,378)</u>

The notes on page 13 to 29 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 loss for the period ending 30 December 2021 is £5,575,148 (2020: £16,483,128).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 December 2022.



P Herbert
Director

HAND PICKED HOTELS LIMITED
Consolidated and Company Statements of Changes in Equity
for the period ended 30 December 2021

	Merger reserve	Share capital	Capital contribution reserve	Profit and loss account	Total equity
Group	£	£	£	£	£
At 29 November 2019	934,061	100,708,885	14,455,810	(101,302,499)	14,796,257
Loss for the financial period	-	-	-	(19,908,361)	(19,908,361)
At 26 November 2020	<u>934,061</u>	<u>100,708,885</u>	<u>14,455,810</u>	<u>(121,210,860)</u>	<u>(5,112,104)</u>
Loss for the financial period	-	-	-	(10,255,270)	(10,255,270)
At 30 December 2021	<u>934,061</u>	<u>100,708,885</u>	<u>14,455,810</u>	<u>(131,466,130)</u>	<u>(15,367,374)</u>

	Share capital	Capital contribution reserve	Profit and loss account	Total equity
Company	£	£	£	£
At 29 November 2019	100,708,885	12,318,732	(118,407,867)	(5,380,250)
Loss for the financial period	-	-	(16,483,128)	(16,483,128)
At 26 November 2020	<u>100,708,885</u>	<u>12,318,732</u>	<u>(134,890,995)</u>	<u>(21,863,378)</u>
Loss for the financial period	-	-	(5,575,148)	(5,575,148)
At 30 December 2021	<u>100,708,885</u>	<u>12,318,732</u>	<u>(140,466,143)</u>	<u>(27,438,526)</u>

The notes on page 13 to 29 form part of these financial statements.

HAND PICKED HOTELS LIMITED
Consolidated Statement of Cash Flows
for the period ended 30 December 2021

	2021 £	2020 £
Cash flows from operating activities		
Loss for the financial period	(10,255,270)	(19,908,361)
Adjustments for:		
Depreciation	6,760,908	6,174,820
Tax charge	244,666	781,583
Gain on disposal of tangible fixed assets	(2,623)	(2,287,380)
Fair value (gain) / loss on financial instruments	(1,287,714)	(4,113,599)
Amortisation of debt issue cost	21,000	57,500
(Increase)/decrease in stocks	(256,632)	257,764
(Increase)/decrease in debtors	(1,479,184)	213,825
(Decrease)/increase in creditors	(298,563)	72,075
Interest receivable	(2,630)	(3,197)
Interest payable	470,909	9,741,759
Interest paid on finance leases	(8,655)	(10,597)
Impairment of fixed assets	319,342	-
Net cash generated by operating activities	<u>(5,774,446)</u>	<u>(9,023,808)</u>
Cash flows from investing activities		
Payments to acquire tangible fixed assets	(3,229,565)	(4,178,395)
Interest received	2,630	3,197
Proceeds from sale of tangible fixed assets	2,623	2,465,362
Net cash used in investing activities	<u>(3,224,312)</u>	<u>(1,709,836)</u>
Cash flows from financing activities		
Proceeds from new loans	38,059,611	14,000,000
Repayment of loans	(30,000,000)	-
Capital element of finance lease payments	(92,433)	(83,233)
Net interest paid	(462,254)	(5,299,463)
Net cash (used by)/generated by financing activities	<u>7,504,924</u>	<u>8,617,304</u>
Net (decrease)/increase in cash and cash equivalents	<u>(1,493,834)</u>	<u>(2,116,340)</u>
Cash and cash equivalents at beginning of the period	5,986,291	31,656,666
Cash and cash equivalents at the end of the period	<u>4,492,457</u>	<u>5,986,291</u>
Cash and cash equivalents comprise:		
Cash at bank	<u>4,492,457</u>	<u>5,986,291</u>

The notes on page 13 to 29 form part of these financial statements.

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period ended 30 December 2021

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 57 week period (2020: 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 company's and group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors report on pages 3 to 5 of these financial statements.

The company and group meets its day-to-day working capital requirements through use of its operating cash flows and loans provided by its ultimate shareholders. As at 30 December 2021, the company reported net liabilities of £27,439k (2020: £21,863k) and the Group reported net liabilities of £15,367k (2020: £5,112k). Following repayments of bank loans of £30m during FY21, Hand Picked Hotels Limited has repaid all external non-related party borrowings. However, the Hand Picked Hotels Limited group reports amounts due to shareholders as at 30 December 2021 of £118.7m and continues to rely on shareholders for non-recall of these loans and for further funding as required as the group transitions back to a fully operating position subsequent to Covid-19 related restrictions.

It is not currently the intention of the Hand Picked Hotels Limited group to obtain new bank facilities. However, this may change in the future if considered commercially appropriate. As such, the group has no committed facilities.

In assessing the appropriateness of the going concern assumption, the directors have prepared detailed cash flow forecasts for the Company extending beyond 12 months from the date of approval of these financial statements. However, as a hotel operator, it is acknowledged that the global and UK outbreak of Covid-19 has had a profound impact on the business and may continue to do so. Additionally, during 2022 in particular the UK economy including the leisure and hospitality sector has been subject to increased volatility with regard to supply chain inflation, wage inflation, utility costs, and the related impacts on consumer disposable income and spending.

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period ended 30 December 2021

Accounting policies (continued)

The above factors heighten the inherent uncertainty in forecasting the ongoing performance within the hotels sector and therefore the Hand Picked Hotels group alike, albeit the board acknowledge that trading conditions are widely to remain challenging in the short term and this continues to have an impact on the company's and group's forecasts.

The directors of the Company and the wider group acknowledge that 'full trading' may look very different in future years than it did pre-Covid-19 and the management team have been planning for this with a restructuring of its operations in response to anticipated market demand, ultimately to profitably deliver enhanced quality of service at lower rates of occupancy.

In order to mitigate Covid-19 impacts on revenue since the UK became impacted by the pandemic, and in order to protect the longer term interests of the Company and its employees, the Company and wider group took measures to reduce and mitigate its cost base. However, more recently, the board announced increases in pay rates for its employees in order to support its workforce during a high inflationary period. Naturally as a significant employer, this will have a material impact on the group's cost base and this has been incorporated into these forecasts. To the extent necessary, shareholders have also provided additional funds in order to meet working capital requirements.

The company and group rely on direct shareholder loans in the form of non-recall and further funds as required, and as such remains reliant on the ongoing support of the ultimate shareholders. The directors of the company have received a non-legally binding confirmation that this support will be forthcoming for no less than 12 months from the date of approval of the financial statements and therefore have concluded that is appropriate to prepare the financial statements on a going concern basis.

Subsequent to the period end, further shareholder loans have been provided to the group amounting to £7.78m.

Insofar as this support not being legally binding, the directors have identified a material uncertainty that may cast significant doubt over the Company's and Group's ability to continue as a going concern for no less than 12 months from the date of approval of the financial statements.

The financial statements do not include any adjustments that would result if the Company were unable to continue as a going concern.

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 December 2021.

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 30 December 2021 is £5,575,148 (2020: £16,483,128).

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.

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period ended 30 December 2021

Accounting policies (continued)

Government grants

Grants are accounted for under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in "other income" within profit or loss in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme ('Furlough'). The group has not directly benefited from any other forms of government assistance.

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.

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.

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period ended 30 December 2021

Accounting policies (continued)

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 released to profit or loss over the term of the lease.

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.

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period ended 30 December 2021

Accounting policies (continued)

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 December 2021

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 decisions include the economic viability and expected future financial performance of the assets and, where it is a component of a larger cash generating unit, the viability and expected future performance of that unit. An impairment charge of £319k (2020: £nil) has been recorded against the tangible fixed assets of the group. The directors have based their assessment of the carrying value of the of the tangible fixed assets on their expected value in use from future trading, along with reference to previous valuations bases and, where relevant, third party offers received at times close to the financial year end. In particular, greater judgement has been exercised regarding the anticipated occupancy rates of hotel assets, average daily room rates, and F&B spend and margins achievable in the short and medium term. The directors note that COVID-19 has presented an unprecedented set of circumstances across the globe and given the unknown future impacts of the pandemic on the real-estate market, there is a higher level of judgement, and hence less certainty, attached to the values of assets held on the balance sheet at the balance sheet date. Given this inherent uncertainty, the carrying value of the group's hotel assets is still subject to material change and should be kept under regular review. In concluding that there was no impairment of any of the group's hotel assets as at the year end, the directors acknowledge and have considered the impacts of sensitivities to the value in use assumptions. Applying a sensitivity where the forecasted room occupancy percentage for each hotel in the group's portfolio is decreased by 5%, its impact on the carrying value of the group's hotel assets at an aggregate level is negative £2.96m. The directors note however that, based on this sensitised value in use calculation, headroom of valuation over costs in a number of hotels, would mean that the aggregate value of the portfolio would remain above the carrying value that is held at amortised cost less impairment.

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

The total of other operating income received in the period was £5,112,167 (2020: 7,345,426). Amounts received respect of management fees and service fees from managed contracts during the period was £2,408,021 (2020: £1,410,521), and amounts received in relation to the coronavirus job retention scheme totalled £1,715,542 (2020: £5,308,848), and other council grants received totalled £284,847 (2020: £nil). The group also received £703,757 (2020: £626,057) from the co-funded payroll scheme in Jersey.

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period ended 30 December 2021

4 Operating profit	2021	2020
	£	£
This is stated after charging / (crediting):		
Depreciation of owned fixed assets	6,760,908	6,174,820
Operating lease rentals - plant and machinery	147,026	151,498
Gain on disposal of fixed assets	(2,623)	(2,287,380)
Impairment of tangible fixed assets	319,342	-
Auditors' remuneration for audit services	57,000	47,000
<i>Auditors' remuneration for other services:</i>		
The audit of the company's subsidiaries pursuant to legislation	93,000	77,370
Taxation	35,000	33,500
5 Directors' emoluments	2021	2020
	£	£
Emoluments	772,008	494,539
Contributions to defined contribution pension plans	45,615	19,446
	<u>817,623</u>	<u>513,985</u>
The number of directors receiving pension contributions in the period was two (2020: two).		
Highest paid director:		
Emoluments	248,583	205,215
Contributions to defined contribution pension plans	10,000	7,484
	<u>258,583</u>	<u>212,699</u>
6 Staff costs	2021	2020
	£	£
Wages and salaries	23,649,957	21,536,890
Social security costs	1,903,318	1,521,063
Other pension costs	775,285	763,484
	<u>26,328,560</u>	<u>23,821,437</u>
Agency staff	891,902	272,833
	<u>27,220,462</u>	<u>24,094,270</u>
Average number of employees during the period	Number	Number
Hotel operations	635	799
Administration	144	173
	<u>779</u>	<u>972</u>
7 Interest receivable/payable	2021	2020
	£	£
Interest receivable and similar income		
Bank and other interest	2,630	3,197
Interest payable and similar charges		
Bank loans, interest rate swap and overdrafts	462,254	5,403,752
Unwinding of discount on shareholder loans	-	4,327,410
Finance charges payable under finance leases	8,655	10,597
	<u>470,909</u>	<u>9,741,759</u>

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period ended 30 December 2021

8 Taxation	2021 £	2020 £
Current tax		
UK corporation tax at 19% (2020: 19%)	-	-
Deferred tax		
Origination and reversal of timing differences	244,666	781,583
Effect of tax rate change on opening balance	-	-
	<u>244,666</u>	<u>781,583</u>
Movement in deferred tax provision		
Provision at start of period	(244,666)	(1,026,249)
Deferred tax charged in the statement of comprehensive income for the period	244,666	781,583
Provision at end of period	<u>-</u>	<u>(244,666)</u>
Reconciliation of tax charge		
Loss on ordinary activities before tax	(10,010,604)	(19,126,778)
Tax on loss on ordinary activities at standard CT rate of 19% (2020: 19%)	(1,902,015)	(3,634,088)
Effects of:		
Fixed asset differences	752,321	691,642
Expenses not deductible for tax purposes	412,175	1,492,178
Income not taxable for tax purposes	(244,666)	-
Group relief surrendered/(claimed)	(421,167)	275,268
Deferred tax not recognised	1,420,024	2,213,175
Difference in UK tax rates	-	(120,744)
Difference in overseas tax rates	227,994	(135,848)
Tax charge for the period	<u>244,666</u>	<u>781,583</u>

The group has potential deferred tax assets of £6,941,000 (2020: £5,389,000), £nil (2020: £299,907) and £6,163,000 (2020: £3,072,000) which have not been recognised in respect of depreciation charged in excess of capital allowances at the end of the period, short term timing differences, and tax losses carried forward respectively. The group also has capital losses carried forward of £70,900 (2020: £75,700) which creates a potential deferred tax asset of £17,730.

Factors affecting future tax charges

The substantively enacted tax rate remained at 19% as at the Balance Sheet date.

It was announced on 3 March 2021 that the main rate of corporation tax will increase from 19% to 25% from 1 April 2023. For profits up to £50,000, the corporation tax rate will remain at 19% and for profits over £250,000, the corporation tax rate will be 25%. Marginal relief provisions will also be introduced for profits between the lower and upper limits.

The Government included the above changes in the Finance Bill 2021 that had its third reading on 24 May 2021 and is now (subsequent to the year end) considered substantively enacted.

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period ended 30 December 2021

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 (2020: £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 (2020: £14,005,000) is owed to Mrs J Hands by the group, a director of the parent holding company and a connected party to the company's controlling party of which £8,000,000 (2020: £8,000,000) is owed by the company.

In addition to opening amounts of £51m due to connected companies in which Mr G Hands is the beneficial owner, during the period the company received unsecured loans from its Parent company, Hand Picked Hotels Holdings (Guernsey) Limited totalling £38m. This is included as unsecured loan stock within creditors, amounts falling due after more than one year, at 30 December 2021. The beneficial owner of Hand Picked Hotels Holdings (Guernsey) Limited is Mr G Hands. Secured loan stock of £3,945,000 (2020: £3,945,000), included in amounts falling due within one year, is owed to Mr G Hands.

Included within creditors, amounts falling due within one year, as at 30 December 2021 are other loan creditors of £370,000 (2020: £370,000) and £100,000 (2020: £100,000) which are owed to Mr G Hands and Mrs J Hands respectively, by the group and company.

Included within turnover is an amount of £76,542 (2020: £41,613) 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.

10 Tangible fixed assets

Group	Freehold land and buildings £	Long leasehold land and buildings £	Fixtures and fittings £	Total £
Cost				
At 27 November 2020	91,353,300	14,145,584	65,838,258	171,337,142
Additions	-	-	3,229,565	3,229,565
Disposals	-	-	(3,066,898)	(3,066,898)
At 30 December 2021	<u>91,353,300</u>	<u>14,145,584</u>	<u>66,000,925</u>	<u>171,499,809</u>
Depreciation				
At 27 November 2020	22,196,439	3,579,702	31,925,124	57,701,265
Charge for the period	553,016	134,004	6,073,888	6,760,908
Impairment	319,342	-	-	319,342
On disposals	-	-	(3,066,898)	(3,066,898)
At 30 December 2021	<u>23,068,797</u>	<u>3,713,706</u>	<u>34,932,114</u>	<u>61,714,617</u>
Carrying amount				
At 30 December 2021	<u>68,284,503</u>	<u>10,431,878</u>	<u>31,068,811</u>	<u>109,785,192</u>
At 26 November 2020	<u>69,156,861</u>	<u>10,565,882</u>	<u>33,913,134</u>	<u>113,635,877</u>

Included in land and buildings is freehold land of £22,899,465 (2020: £22,899,465) which is not depreciated.

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period ended 30 December 2021

10 Tangible fixed assets (continued)

The directors performed an internal impairment review on the groups tangible (hotel) assets as at the period end.

As noted in Note 2 above, the directors based their assessment of the carrying value of these assets on their expected value in use from future trading, along with reference to previous valuations bases and, where relevant, third party offers received at times close to the financial year end (giving indications of recoverable amount in addition to value in use). The directors note that, in making their assessments, greater judgement has been exercised regarding the anticipated occupancy rates of hotel assets, average daily room rates, and F&B spend and margins achievable in the short and medium term. The directors note that the residual impacts of COVID-19 presented a unique set of challenges for the real-estate market, and as such, there is a higher level of judgement, and hence less certainty, attached to the values of assets held on the balance sheet at the balance sheet date. Given this inherent uncertainty, the carrying value of the group's hotel assets is subject to material change and should be kept under regular review.

Based on management assessments, it was concluded that an impairment charge of £319,342 was necessary as at the period end (2020: no impairment charge was necessary).

Company	Freehold land and buildings £	Fixtures and fittings £	Total £
Cost			
At 27 November 2020	865,638	1,631,303	2,496,941
Additions	-	329,225	329,225
Disposals	-	(204,146)	(204,146)
At 30 December 2021	<u>865,638</u>	<u>1,756,382</u>	<u>2,622,020</u>
Depreciation			
At 27 November 2020	226,255	670,512	896,767
Charge for the period	12,401	348,155	360,556
On disposals	-	(204,146)	(204,146)
At 30 December 2021	<u>238,656</u>	<u>814,521</u>	<u>1,053,177</u>
Carrying amount			
At 30 December 2021	<u>626,982</u>	<u>941,861</u>	<u>1,568,843</u>
At 26 November 2020	<u>639,383</u>	<u>960,791</u>	<u>1,600,174</u>

Included in land and buildings is freehold land of £300,000 (2020: £300,000) which is not depreciated.

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
for the period ended 30 December 2021

11 Investments

	Subsidiary undertakings £
Cost	
At 26 November 2020 and 30 December 2021	78,611,374
Provision	
At 26 November 2020	23,261,963
Impairment in period	3,262,741
At 30 December 2021	<u>26,524,704</u>
Net book value	
At 30 December 2021	52,086,670
At 26 November 2020	<u>55,349,411</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
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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	2021	2020
	£	£
Group		
Goods for resale	<u>650,070</u>	<u>393,438</u>
Company		
Goods for resale	<u>33,133</u>	<u>29,203</u>

13 Cash and cash equivalents

Included within cash at bank and in hand is an amount of £214,093 (2020: £103,698), 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	2021	2020
	£	£
Group		
Trade debtors	942,924	645,141
Amounts due from related undertakings (see note 9)	1,549,395	448,827
Amount due from holding company	6,156	-
Other debtors	1,041,286	2,015,435
Prepayments	1,663,745	614,919
Deferred taxation asset (see note 19)	-	244,666
	<u>5,203,506</u>	<u>3,968,988</u>
Company		
Amounts due from subsidiary undertakings	52,123,505	51,483,074
Amount due from immediate parent company	6,156	-
Other debtors	158,688	173,973
Prepayments	598,515	179,039
Amounts due from related undertakings (see note 9)	1,549,395	448,827
Deferred taxation asset (see note 19)	-	244,666
	<u>54,436,259</u>	<u>52,529,579</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
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15 Creditors: amounts falling due within one year	2021	2020
	£	£
Group		
Bank loans (see note 17)	-	29,979,000
Payments in advance	8,872,107	9,970,759
Other loans (see note 17)	470,000	470,000
Secured loan stock (see note 17)	3,945,000	3,945,000
Unsecured loan stock (see note 17)	114,262,159	76,202,548
Interest rate swap (see note 18)	-	1,287,714
Obligations under finance lease and hire purchase contracts	88,218	85,506
Trade creditors	2,289,615	1,296,417
Amount due to holding company	-	450
Other taxes and social security costs	1,306,266	1,163,870
Other creditors	1,209,321	1,615,376
Accruals	2,865,230	2,780,245
	<u>135,307,916</u>	<u>128,796,885</u>
Company		
Bank loans (see note 17)	-	29,979,000
Other loans (see note 17)	470,000	470,000
Secured loan stock (see note 17)	3,945,000	3,945,000
Unsecured loan stock (see note 17)	107,857,159	69,797,548
Interest rate swap (see note 18)	-	1,287,714
Obligations under finance lease and hire purchase contracts	88,218	85,506
Payments in advance	1,722,104	980,411
Trade creditors	528,385	261,040
Amounts due to subsidiary undertakings	19,588,356	25,269,987
Amount due to immediate parent company	-	450
Other taxes and social security costs	623,428	803,331
Other creditors	655,431	359,798
Accruals	623,568	1,763,262
	<u>136,101,649</u>	<u>135,003,047</u>
16 Creditors: amounts falling due after one year	2021	2020
	£	£
Group		
Obligations under finance lease and hire purchase contracts	69,230	164,375
Other creditors	121,475	135,460
	<u>190,705</u>	<u>299,835</u>
Company		
Obligations under finance lease and hire purchase contracts	69,230	164,375
	<u>69,230</u>	<u>164,375</u>

HAND PICKED HOTELS LIMITED
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17 Loans	2021	2020
Group		
Bank loans (1)	-	30,000,000
Secured loan stock (2) (see note 9)	3,945,000	3,945,000
Unsecured loan stock (3) (see note 9)	114,262,159	76,202,548
Other loans (see note 9)	470,000	470,000
	<u>118,677,159</u>	<u>110,617,548</u>
Less: unamortised issue costs	-	(21,000)
	<u>118,677,159</u>	<u>110,596,548</u>
Amounts falling due:		
Within one year or repayable on demand	<u>118,677,159</u>	<u>110,596,548</u>
	<u>118,677,159</u>	<u>110,596,548</u>
	2021	2020
	£	£
Company		
Bank loans (1)	-	30,000,000
Secured loan stock (2) (see note 9)	3,945,000	3,945,000
Unsecured loan stock (3) (see note 9)	107,857,159	69,797,548
Other loans (see note 9)	470,000	470,000
	<u>112,272,159</u>	<u>104,212,548</u>
Less: unamortised issue costs	-	(21,000)
	<u>112,272,159</u>	<u>104,191,548</u>
Amounts falling due:		
Within one year or repayable on demand	<u>112,272,159</u>	<u>104,191,548</u>
	<u>112,272,159</u>	<u>104,191,548</u>

(1) During the period, the balance of the bank loan of £30m was repaid in full in June 2021. The rate of interest payable on the loan was LIBOR plus 2.25%. The SWAP that was in place fixed the variable element of this interest rate at a blended rate of 4.85%. The loan was secured by way of a mortgage debenture over certain assets of the group.

(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. The holder has confirmed that it has been and remains their ongoing intention that this amount will not be called for repayment for the foreseeable future and not until such time as the company and group are able to make such repayments. However, as this support is not legally binding, the loans are presented as due within one year.

Under FRS 102, interest free loans with an initial term of over 12 months have to be discounted using an appropriate interest rate on transition to FRS 102. 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 date in 2020, this led to a capital contribution from secured 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 2021 was £nil (2020: £258,084).

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
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17 Loans (continued)

(3) The unsecured loan stock is non-interest bearing and subordinated. The holder has confirmed that it has been and remains their ongoing intention that this amount will not be called for repayment for the foreseeable future and not until such time as the company and group are able to make such repayments. However, as this support is not legally binding, the loans are presented as due within one year.

Under FRS 102, interest free loans have to be discounted using an appropriate interest rate on transition to FRS 102. 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 date in 2020, this led 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 capital contribution generated from discounting new loans in 2019 was £2,233,234 and 2018 was £2,497,270. The profit and loss impact of unwinding the discounts on unsecured loans in 2021 was £nil (2020: £4,069k interest payable by the group and £3,650k payable by the company).

18 Financial Instruments

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

	2021 £	2020 £
Financial assets and liabilities measured at amortised cost		
Financial assets	8,026,062	9,095,694
Financial liabilities	<u>(125,320,248)</u>	<u>(117,962,091)</u>
	<u>(117,294,186)</u>	<u>(108,866,397)</u>
 Financial assets and liabilities measured through profit and loss		
Financial liabilities - interest rate swaps: valuation	<u>-</u>	<u>(1,287,714)</u>
	<u>-</u>	<u>(1,287,714)</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

	2021 £	2020 £
Group and company		
Deferred tax asset	<u>-</u>	<u>244,666</u>
	 2021 £	 2020 £
At 27 November 2020	244,666	1,026,249
Credited to statement of comprehensive income	(244,666)	(781,583)
At 30 December 2021	<u>-</u>	<u>244,666</u>

The deferred tax asset recognised was in respect of the interest rate swaps (see note 17) which were due to terminate on 30 November 2020. As referred to in Note 21, during the period the bank loan was repaid in full in June 2021. As a result, the full value of the deferred tax asset as at 26 November 2020 was released and recognised in the profit and loss account in the current period.

HAND PICKED HOTELS LIMITED
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20 Share capital	2021	2020	2021	2020
	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

Since the year end the group has received funding of £7.78m from Hand Picked Hotels Holdings (Guernsey) Limited in the form of shareholder loans. The loans are interest free and repayable on demand, and were provided to support the group's working capital requirements.

22 Capital commitments	2021	2020
	£	£
Amounts contracted for but not provided in the financial statements	<u>413,099</u>	<u>375,913</u>

At the period end the group had entered into construction contracts with unrelated parties for a total amount of £413k (2020: £376k), for refurbishment works, at several of the subsidiary company hotels

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 £716,644 (2020: £684,368). Contributions payable to the fund at the year end included in creditors totalled £148,844 (2020: £103,320).

HAND PICKED HOTELS LIMITED
Notes to the Financial Statements
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24 Analysis of changes in net debt

	At 27 November 2020	Cash flows	At 30 December 2021
Cash at bank and in hand	5,986,291	(1,493,834)	4,492,457
External debt due within one year	(29,979,000)	29,979,000	-
Shareholder debt due within one year	(80,617,548)	(38,059,611)	(118,677,159)
	(104,610,257)	(9,574,445)	(114,184,702)

25 Commitments under operating leases

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

	2021 £	2020 £
Group		
Falling due:		
within one year	76,931	132,031
within two to five years	34,559	95,819
	<u>111,490</u>	<u>227,850</u>

	2021 £	2020 £
Company		
Falling due:		
within one year	68,981	68,981
within two to five years	61,642	61,642
	<u>130,623</u>	<u>130,623</u>

26 Commitments under finance leases

Total future minimum lease payments under finance leases:

	2021 £	2020 £
Group and Company		
Falling due:		
within one year	88,218	85,506
within two to five years	69,230	164,375
	<u>157,448</u>	<u>249,881</u>

27 Ultimate parent company and controlling party

The immediate parent of the company is Hand Picked Hotels Holdings (Guernsey) Limited, a company incorporated in Guernsey whose registered office address is 1st and 2nd Floors Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey, GY1 1EW.

The ultimate parent company is Julian Holdings Limited, and the ultimate controlling party is Mr G Hands. Julian Holdings Limited is a company incorporated in Guernsey, whose registered office address is PO Box 286, Floor 2 Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY.