

Registration number: 00864881

Chewton Glen Hotels Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

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Chewton Glen Hotels Limited

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Chewton Glen Hotels Limited

Company Information

Directors

Mr I M Livingstone

Mr A W Stembridge

Mr D L M Taljaard

Registered office

Chewton Glen Hotel

New Milton

Hampshire

BH25 6QS

Independent auditors

PricewaterhouseCoopers LLP

1 Embankment Place

London

WC2N 6RH

Chewton Glen Hotels Limited

Strategic Report (Continued)

The directors present their strategic report for the year ended 31 December 2019.

In the current period the company's results are presented for the year from 1 January 2019 to 31 December 2019.

In the previous period the company's accounting reference date was changed from 31 March to 31 December. As a result, the comparative results included within these financial statements are for the nine month period from 1 April 2018 to 31 December 2018.

Principal activities

The principal activity of the company is operating Chewton Glen Hotel.

Review of the business and future developments

During the year the company achieved turnover of £19.2m (9 months to December 2018: £14.7m) and an operating profit before taxation of £3.6m (2018: £3.4m). During the year the net assets increased to £20.8m (2018: £17.9m).

The company utilizes standard uniform system accounting (USALI) based key performance indicators that are commonly used across the hotel market to both monitor performance relative to budget and also to compare against peer group hotels.

The directors consider the financial position and future prospects at 31 December 2019 to be satisfactory. The directors expect the impact of Covid-19 to reduce the entity's profitability in the coming year.

Principal risks and uncertainties

The key business risks and uncertainties affecting the company are considered to relate to the fact that the company operates within a highly competitive market place. The directors of the company have reviewed the company's exposure to credit risk, liquidity risk and cashflow risk. These risks and uncertainties are discussed in the company's ultimate parent's group annual report which does not form part of this report.

Going concern

The global Covid-19 pandemic has had a severe impact on the company's operations, resulting in a significant downturn in revenues and cash flows. Management have taken a number of actions to reduce costs and defer payments, taking advantage of government support and payment deferral schemes as appropriate.

The outlook for the company, however, remains uncertain and, should the business not recover in line with the directors' expectations or there is a second national lockdown, the company will need to seek additional funding to remain a going concern. As at the date of signing these financial statements, the company has not identified these potential sources of additional funding.

The company's parent, CG Hotel Holding Limited, holds a loan to which the company is a guarantor. CG Hotel Holding Limited has been in breach of some of its loan covenants and the directors have obtained a waiver from the lender. This waiver however does not cover a period of 12 months from the date of signing these financial statements. Whilst the directors have reasonable expectations, based on discussions with the lender, that the waiver will be extended, as at the date of signing these financial statements there is uncertainty as to whether the waiver will be extended and what the impact on the company's operations will be if the waiver is not extended.

The company was also in net current liabilities position as at 31 December 2019. The directors have received confirmation from its intermediate parent undertaking, London and Regional Group Hotel Holdings Ltd, that it intends to provide the necessary financial support for at least 12 months from the date of signing these financial statements. However, it has to be in extremis, that this support may not be forthcoming and therefore there remains a material uncertainty on going concern.

These circumstances indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern. The financial statements do not include any adjustments that might arise should the company cease to be a going concern.

The directors continue to adopt the going concern basis of preparing the financial statements.

Chewton Glen Hotels Limited

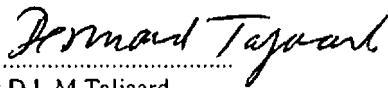
Strategic Report (Continued)

Subsequent Events

Subsequent to the year end, the impact of COVID-19 on the UK economy started from the end of March 2020 and it has subsequently had a significant impact on the wider economy as well as the company's areas of operations.

COVID-19 is viewed as a non-adjusting event for the purposes of these financial statements, however the directors have had to consider its potential impact on the business when considering the ability of the company to operate as a going concern.

On behalf of the board


.....
Mr D L M Taljaard
Director

21
.....October 2020

Chewton Glen Hotels Limited

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Directors of the company

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

Mr I M Livingstone

Mr A W Stembridge

Mr D L M Taljaard (appointed 12 March 2019)

Results and dividends

The results for the year are set out on page 10.

The business review, future developments, principal risks and uncertainties and going concern are included in the strategic report.

No ordinary dividends were paid during the year (2018: £ nil). The directors do not recommend the payment of a final dividend (2018: £ nil).

Qualifying third party indemnity provisions

The company has made qualifying third-party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Price risk, credit risk, liquidity risk and cash flow risk

Sustained average rate is indicative of low price risk and internal funding limits credit risk. The company maintains appreciable cash balances rather than overdrafts, thus limiting liquidity and cash flow risk.

Employment of disabled persons

Full and fair consideration is given to applications for employment by disabled persons, having regard to their particular aptitudes and abilities

Employee involvement

The hotel / Company has a Team Consultative Committee which meets regularly with the Managing Director to discuss any matters of concern arising from team members across departments. Furthermore, a general Team meeting is held once per quarter, during which all team members are invited to attend and are appraised of the hotel / Company performance and future developments.

2019 saw the continuation of the internal communications, appraisal, suggestion and engagement portal, supplemented by an additional anonymous online quarterly pulse survey to collate engagement and feedback, to implement ideas. At departmental level monthly meetings take place.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

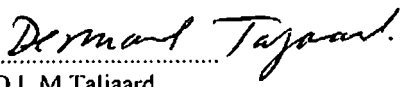
Chewton Glen Hotels Limited

Directors' Report (Continued)

Independent Auditors

PricewaterhouseCoopers LLP were appointed as auditors to the company during the year and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Approved by the Board on 21/10/20 and signed on its behalf by:


.....
Mr D L M Taljaard
Director

Chewton Glen Hotels Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

The directors 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.

On behalf of the board



Mr D L M Taljaard
Director

21 October 2020

Chewton Glen Hotels Limited

Independent Auditor's Report to the Members of Chewton Glen Hotels Limited

Report on the audit of the financial statements

Opinion

In our opinion, Chewton Glen Hotels Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.4 to the financial statements concerning the company's ability to continue as a going concern. The global Covid-19 pandemic has had a severe impact on the company's operations and if they do not recover in line with the directors' expectations, or if there is a second national lockdown, the company will require additional funding to remain a going concern. As at the date of signing these financial statements, the company has not identified these potential sources of additional funding. The company is a guarantor to its immediate parent company's bank loan, the immediate parent company has breached loan covenants for the loan due to be repaid in September 2024. The bank waiver obtained in regards to this does not cover a period of at least twelve months from the date of signing these financial statements and a waiver extension has not been confirmed by the lender. The impact on the company's operations if the waiver is not obtained is uncertain. The company was also in net current liabilities position as at 31 December 2019. Whilst the immediate parent company, London and Regional Group Hotel Holdings Ltd, has indicated its intention to support the company as needs be, there can be no certainty however that the immediate parent company will provide the support when required. These conditions, along with the other matters explained in note 1.4 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Chewton Glen Hotels Limited

Independent Auditor's Report to the Members of Chewton Glen Hotels Limited (continued)

Reporting on other information (continued)

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

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 year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Chewton Glen Hotels Limited

Independent Auditor's Report to the Members of Chewton Glen Hotels Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Suzanne Woolfson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 October 2020

Chewton Glen Hotels Limited
Statement of Comprehensive Income
for the Year Ended 31 December 2019

| | Note | Year ended 31 December 2019 £ | Period ended 31 December 2018 £ |
|---|------|-------------------------------------|---------------------------------------|
| Turnover | 3 | 19,171,076 | 14,656,385 |
| Cost of sales | | <u>(2,881,021)</u> | <u>(2,192,339)</u> |
| Gross profit | | 16,290,055 | 12,464,046 |
| Administrative expenses | | <u>(12,684,985)</u> | <u>(9,053,994)</u> |
| Operating profit | 4 | <u>3,605,070</u> | <u>3,410,052</u> |
| Interest receivable and similar income | 5 | 5,932 | 338 |
| Interest payable and similar expenses | 6 | <u>(6,500)</u> | <u>(6,566)</u> |
| Profit on ordinary activities before taxation | | 3,604,502 | 3,403,824 |
| Tax on profit on ordinary activities | 9 | <u>(686,090)</u> | <u>(377,175)</u> |
| Profit for the financial year/period | | <u>2,918,412</u> | <u>3,026,649</u> |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year/ period | | <u>2,918,412</u> | <u>3,026,649</u> |

The above results were derived from continuing operations.

Chewton Glen Hotels Limited

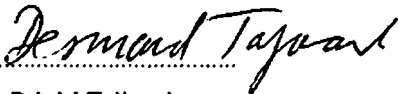
(Registration number: 00864881)

Balance Sheet

as at 31 December 2019

| | Note | 31 December 2019 £ | 31 December 2018 £ |
|--|------|--------------------------|--------------------------|
| Fixed assets | | | |
| Tangible assets | 10 | 25,681,388 | 25,554,820 |
| Current assets | | | |
| Stocks | 11 | 423,340 | 497,152 |
| Debtors | 12 | 1,896,255 | 1,335,974 |
| Cash at bank and in hand | 13 | 1,194,828 | 1,306,401 |
| | | <u>3,514,423</u> | <u>3,139,527</u> |
| Creditors: Amounts falling due within one year | 14 | <u>(6,625,472)</u> | <u>(9,160,186)</u> |
| Net current liabilities | | <u>(3,111,049)</u> | <u>(6,020,659)</u> |
| Total assets less current liabilities | | 22,570,339 | 19,534,161 |
| Creditors: Amounts falling due after more than one year | 14 | (65,000) | (65,000) |
| Provisions for liabilities | 15 | <u>(1,686,544)</u> | <u>(1,568,778)</u> |
| Net assets | | <u>20,818,795</u> | <u>17,900,383</u> |
| Capital and reserves | | | |
| Called up share capital | 17 | 75,000 | 75,000 |
| Retained earnings | | <u>20,743,795</u> | <u>17,825,383</u> |
| Total equity | | <u>20,818,795</u> | <u>17,900,383</u> |

Approved and authorised by the Board on 21/10/20 and signed on its behalf by:



Mr D L M Taljaard
Director

Chewton Glen Hotels Limited

**Statement of Changes in Equity
for the Year Ended 31 December 2019**

| | Called up share capital £ | Retained earnings £ | Total £ |
|--|---------------------------------|---------------------------|------------|
| Balance at 1 April 2018 | 75,000 | 14,798,734 | 14,873,734 |
| Profit for the financial period and total comprehensive income | - | 3,026,649 | 3,026,649 |
| Balance at 31 December 2018 | 75,000 | 17,825,383 | 17,900,383 |
| | | | |
| Profit for the financial year and total comprehensive income | - | 2,918,412 | 2,918,412 |
| Balance at 31 December 2019 | 75,000 | 20,743,795 | 20,818,795 |

Chewton Glen Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Accounting policies

General information

Chewton Glen Hotels Limited is a private company limited by shares incorporated in England and Wales. The registered office is Chewton Glen Hotel, New Milton, Hampshire, BH25 6QS.

The company owns and operates the Chewton Glen Hotel, Hampshire.

1.1 Statement of compliance

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

1.2 Basis of preparation and summary of significant accounting policies

The financial statements have been prepared on a going concern basis and under the historical cost convention modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

1.3 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions.

As a qualifying entity, the company has taken advantage of the following exemptions:

- from the requirement to prepare a statement of cash flows as required by paragraph 3.17 (d) of FRS 102; and
- from the requirement to present financial instruments disclosures, as required by FRS 102 paragraphs 11.39 to 11.48A, paragraph 12.26 and 12.29.
- from the requirement to disclose related party transactions, as required by paragraph 33.1A of FRS 102.

1.4 Going Concern

The global Covid-19 pandemic has had a severe impact on the company's operations, resulting in a significant downturn in revenues and cash flows. Management have taken a number of actions to reduce costs and defer payments, taking advantage of government support and payment deferral schemes as appropriate.

The outlook for the company, however, remains uncertain and, should the business not recover in line with the directors' expectations or there is a second national lockdown, the company will need to seek additional funding to remain a going concern. As at the date of signing these financial statements, the company has not identified these potential sources of additional funding.

The company's parent, CG Hotel Holding Limited, holds a loan to which the company is a guarantor. CG Hotel Holding Limited has been in breach of some of its loan covenants and the directors have obtained a waiver from the lender. This waiver however does not cover a period of 12 months from the date of signing these financial

Chewton Glen Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Accounting policies

statements.

Whilst the directors have reasonable expectations, based on discussions with the lender, that the waiver will be extended, as at the date of signing these financial statements there is uncertainty as to whether the waiver will be extended and what the impact on the company's operations will be if the waiver is not extended.

The company was also in net current liabilities position as at 31 December 2019. The directors have received confirmation from its intermediate parent undertaking, London and Regional Group Hotel Holdings Ltd, that it intends to provide the necessary financial support for at least 12 months from the date of signing these financial statements. However, it has to be in extremis, that this support may not be forthcoming and therefore there remains a material uncertainty on going concern.

These circumstances indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern. The financial statements do not include any adjustments that might arise should the company cease to be a going concern.

1.5 Turnover

Turnover represents amounts receivable from the provision of hotel services including room hire, bar and restaurant takings and is stated after deduction of value added tax.

Room and inclusive breakfast turnover is recognised at the end of the financial day. All other turnover such as bar and restaurant takings are recognised at the point of sale.

Any deposits are recognised over the period that accommodation services are provided.

1.6 Tangible assets

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

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|----------------------------------|---|
| Freehold buildings | 1% per annum on cost |
| Fixtures, fittings and equipment | 15% per annum on a reducing balance basis |
| Motor vehicles | 20% per annum on cost |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is credited or charged to profit or loss.

No depreciation is provided in respect of tangible assets acquired during the financial year.

Chewton Glen Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Accounting policies

1.7 Impairment of assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first in, first out, principle and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing stocks to their existing location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Where necessary provision is made for obsolete, slow moving and defective stocks.

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Chewton Glen Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Accounting policies

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Chewton Glen Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

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

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are recognised as an expense on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Chewton Glen Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1.16 Accrued income

Income is allocated in the period to which it relates, with amounts due but not invoiced at the period end held as accrued income and released to the statement of comprehensive income when invoices are raised.

2 Critical accounting judgements and estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Critical judgements in applying the entity's accounting policies

The directors have not applied any judgements in applying the company's accounting policies.

b) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. Estimates are amended when necessary, based on technological advancement, future investments, economic utilisation and the physical condition of the assets

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtors, the aging profile of debtors and historic experience.

Chewton Glen Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

3 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

| | Year ended 31 December 2019 £ | Period ended 31 December 2018 £ |
|-----------------------------|--|--|
| Provision of hotel services | 19,171,076 | 14,656,385 |

4 Operating profit

Arrived at after charging/(crediting)

| | Year ended 31 December 2019 £ | Period ended 31 December 2018 £ |
|---|--|--|
| Depreciation expense | 840,196 | 575,941 |
| Operating lease expense - plant and machinery | 50,017 | 44,746 |
| Stocks recognised as an expense | 497,152 | 413,164 |

5 Interest receivable and similar income

| | Year ended 31 December 2019 £ | Period ended 31 December 2018 £ |
|----------------------------------|--|--|
| Interest income on bank deposits | 5,932 | 338 |

Chewton Glen Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

6 Interest payable and similar expenses

| | Year ended 31 December 2019 £ | Period ended 31 December 2018 £ |
|---|--|--|
| Preference share dividends | 6,500 | 4,875 |
| Interest expense on other finance liabilities | - | 1,691 |
| | <u>6,500</u> | <u>6,566</u> |

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

| | Year ended 31 December 2019 £ | Period ended 31 December 2018 £ |
|--|--|--|
| Wages and salaries | 5,524,526 | 4,145,106 |
| Social security costs | 361,130 | 236,444 |
| Pension costs, defined contribution scheme | 115,514 | 62,762 |
| | <u>6,001,170</u> | <u>4,444,312</u> |

The average monthly number of persons employed by the company (including directors) during the year, analysed by category was as follows:

| | Year ended 31 December 2019 No. | Period ended 31 December 2018 No. |
|-----------------------------------|--|--|
| Administration and support | 24 | 27 |
| Sales, marketing and distribution | 45 | 38 |
| Hotel operations | 244 | 319 |
| | <u>313</u> | <u>384</u> |

Chewton Glen Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

8 Directors' emoluments

| | Year ended 31 December 2019 £ | Period ended 31 December 2018 £ |
|---|--|--|
| Remuneration above includes aggregate directors' emoluments as follows: | | |
| Remuneration for qualifying services | 215,240 | 150,000 |
| Benefits in kind | 15,068 | 11,301 |
| | <u>230,308</u> | <u>161,301</u> |

Remuneration disclosed above includes the following amounts paid to the highest paid director:

| | Year ended 31 December 2019 £ | Period ended 31 December 2018 £ |
|--------------------------------------|--|--|
| Remuneration for qualifying services | 215,240 | 150,000 |
| Benefits in kind | 15,068 | 11,301 |
| | <u>230,308</u> | <u>161,301</u> |

9 Auditors' remuneration

| | Year ended 31 December 2019 £ | Period ended 31 December 2018 £ |
|--|--|--|
| Fees payable to the company's auditors for the audit of the company's financial statements | <u>14,550</u> | <u>10,475</u> |
| Other fees to auditors | | |
| All other non-audit services | <u>-</u> | <u>9,500</u> |

Chewton Glen Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

10 Tax on profit on ordinary activities

Tax charged in the income statement

| | Year ended 31 December 2019 £ | Period ended 31 December 2018 £ |
|--|--|--|
| Current taxation | | |
| UK corporation tax | 568,324 | 445,212 |
| Deferred taxation | | |
| Adjustments in respect of previous periods | <u>117,766</u> | <u>(68,037)</u> |
| Tax charge in the income statement | <u>686,090</u> | <u>377,175</u> |

The tax charge for the year is higher than (2018: lower than) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%).

The differences are reconciled below:

| | Year ended 31 December 2019 £ | Period ended 31 December 2018 £ |
|---|--|--|
| Profit on ordinary activities before taxation | <u>3,604,502</u> | <u>3,403,824</u> |
| Corporation tax at standard rate | 684,855 | 646,727 |
| Effect of expense not deductible in determining taxable profit | (7,698) | 926 |
| Adjustments in respect of previous periods | 117,766 | (68,037) |
| Tax decrease from effect of capital allowances and depreciation | (108,833) | (13,804) |
| Tax decrease arising from group relief | <u>-</u> | <u>(188,637)</u> |
| Total tax charge | <u>686,090</u> | <u>377,175</u> |

Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

Chewton Glen Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

11 Tangible assets

| | Freehold land and buildings £ | Furniture, fittings and equipment £ | Motor vehicles £ | Total £ |
|---------------------------------|-------------------------------------|---|---------------------|------------|
| Cost or valuation | | | | |
| At 1 January 2019 | 24,856,452 | 18,331,380 | 9,593 | 43,197,425 |
| Additions | 68,220 | 898,544 | - | 966,764 |
| At 31 December 2019 | 24,924,672 | 19,229,924 | 9,593 | 44,164,189 |
| Accumulated depreciation | | | | |
| At 1 January 2019 | 2,625,507 | 15,007,505 | 9,593 | 17,642,605 |
| Charge for the year | 206,834 | 633,362 | - | 840,196 |
| At 31 December 2019 | 2,832,341 | 15,640,867 | 9,593 | 18,482,801 |
| Carrying amount | | | | |
| At 31 December 2019 | 22,092,331 | 3,589,057 | - | 25,681,388 |
| At 31 December 2018 | 22,230,945 | 3,323,875 | - | 25,554,820 |

12 Stocks

| | 31 December 2019 £ | 31 December 2018 £ |
|-------------------|--------------------------|--------------------------|
| Food and Beverage | 204,633 | 200,167 |
| Other consumables | 218,707 | 296,985 |

Stocks are stated after provision for impairment of £nil (2018: £nil).

Chewton Glen Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

13 Debtors

| | 31 December 2019 £ | 31 December 2018 £ |
|-------------------------------------|--------------------------|--------------------------|
| Trade debtors | 480,252 | 396,843 |
| Amounts due from group undertakings | 50,000 | 50,000 |
| Other debtors | 927,837 | 462,558 |
| Prepayments and accrued income | 438,166 | 426,573 |
| | <u>1,896,255</u> | <u>1,335,974</u> |

Trade debtors are stated after provisions for impairment of £nil (2018: £nil).

Amounts due from group undertakings are repayable on demand, unsecured and interest free.

14 Cash at bank and in hand

| | 31 December 2019 £ | 31 December 2018 £ |
|---------------------|--------------------------|--------------------------|
| Cash in hand | 1,900 | 2,050 |
| Cash at bank | 1,192,928 | 1,304,260 |
| Short-term deposits | - | 91 |
| | <u>1,194,828</u> | <u>1,306,401</u> |

15 Creditors

| | 31 December 2019 £ | 31 December 2018 £ |
|---|--------------------------|--------------------------|
| Amounts falling due within one year | | |
| Trade creditors | 772,110 | 407,610 |
| Amounts due to group undertakings | 2,865,001 | 5,458,426 |
| Taxation and social security | 798,320 | 653,385 |
| Outstanding defined contribution pension costs | 33,394 | 23,941 |
| Other payables | 1,104,670 | 1,640,999 |
| Corporation tax liability | 172,324 | 329,673 |
| Accruals and deferred income | 879,653 | 646,152 |
| | <u>6,625,472</u> | <u>9,160,186</u> |
| Amounts falling due after more than one year | | |
| Loans and borrowings | 18 <u>65,000</u> | <u>65,000</u> |

Amounts due to group undertakings are repayable on demand, unsecured and interest free.

Chewton Glen Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

16 Provision for liabilities

| | 2019 | 2018 |
|--------------------------|-----------|-----------|
| | £ | £ |
| Deferred tax liabilities | 1,686,544 | 1,568,778 |

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (before offset) for financial reporting purposes:

| | Liabilities 2019 £ | Liabilities 2018 £ |
|------------------------------------|--------------------------|--------------------------|
| Timing differences on fixed assets | <u>1,686,544</u> | <u>1,568,778</u> |

Movements in the year:

| | £ |
|---------------------------|------------------|
| At 1 January 2019 | 1,568,778 |
| Charged to profit or loss | <u>117,766</u> |
| At 31 December 2019 | <u>1,686,544</u> |

17 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £115,514 (2018 - £62,762).

Contributions totalling £33,394 (2018 - £23,941) were payable to the scheme at the end of the year and are included in creditors.

18 Called up share capital

Allotted, called up and fully paid shares

| | 31 December 2019 | | 31 December 2018 | |
|----------------------------|---------------------|--------|---------------------|--------|
| | No. | £ | No. | £ |
| Ordinary shares of £1 each | 75,000 | 75,000 | 75,000 | 75,000 |

Chewton Glen Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

19 Loans and borrowings

| | 31 December 2019 £ | 31 December 2018 £ |
|----------------------------------|--------------------------|--------------------------|
| Non-current loans and borrowings | | |
| Redeemable preference shares | <u>65,000</u> | <u>65,000</u> |

Redeemable preference shares

The 10% Cumulative preference shares are redeemable. They are redeemable at £1 per share and carry no voting rights.

20 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

| | 31 December 2019 £ | 31 December 2018 £ |
|---|--------------------------|--------------------------|
| Not later than one year | 64,085 | 81,023 |
| Later than one year and not later than five years | <u>41,954</u> | <u>92,129</u> |
| | <u>106,039</u> | <u>173,152</u> |

The amount of non-cancellable operating lease payments recognised as an expense during the year was £50,017 (2018 - £44,746).

21 Related party transactions

As the company is a wholly owned subsidiary of London and Regional Group Hotel Holdings Limited, the company has taken advantage of the exemption under section 33.1A of FRS102 from disclosing transactions or balances with entities which form part of the group.

Chewton Glen Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

22 Ultimate controlling party

The immediate parent undertaking is CG Hotel Holding limited, a company incorporated and registered in England and Wales.

The ultimate parent undertaking is London and Regional Group Hotels Ltd, a company incorporated in England and Wales.

London and Regional Group Hotel Holdings Ltd is the parent undertaking of the smallest group of undertakings to consolidate these financial statements as at 31 December 2019. London and Regional Group Hotels Ltd is the parent undertaking of the largest group of undertakings to consolidate these financial statements as at 31 December 2019. The consolidated financial statements of London and Regional Group Hotel Holdings Ltd and London and Regional Group Hotels Ltd can be obtained from the company secretary at: Quadrant House, Floor 6, 4 Thomas More Square, London, E1W 1YW.

The ultimate controlling parties are I M Livingstone and R J Livingstone through their joint ownership of London and Regional Group Hotels Limited.

23 Subsequent events

Subsequent to the year end, the impact of COVID-19 on the UK economy started from the end of March 2020 and it has subsequently had a significant impact on the wider economy as well as the company's areas of operations.

COVID-19 is viewed as a non-adjusting event for the purposes of these financial statements, however the directors have had to consider its potential impact on the business when considering the ability of the company to operate as a going concern.