

**THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 30 MARCH 2011**

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**THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

**COMPANY INFORMATION**

<b>Directors</b>	G Pecorelli D L E Pecorelli C Davies R M Gradon N L Luff M-L Audet
<b>Company secretary</b>	C Davies
<b>Company number</b>	02256084
<b>Registered office</b>	Executive Office Pennyhill Park Hotel & Spa Bagshot Surrey GU19 5EU
<b>Auditor</b>	PKF (UK) LLP Pannell House Park Street Guildford Surrey GU1 4HN
<b>Solicitors</b>	Neale Turk Bridge House 27 - 31 Reading Road South Fleet Hampshire GU13 9QP

**THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

**CONTENTS**

	Page
<b>Directors' report</b>	<b>1 - 3</b>
<b>Statement of directors' responsibilities</b>	<b>4</b>
<b>Independent auditor's report</b>	<b>5 - 6</b>
<b>Consolidated profit and loss account</b>	<b>7</b>
<b>Consolidated balance sheet</b>	<b>8</b>
<b>Company balance sheet</b>	<b>9</b>
<b>Consolidated cash flow statement</b>	<b>10</b>
<b>Notes to the financial statements</b>	<b>11 - 25</b>

## **THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

### **DIRECTORS' REPORT FOR THE PERIOD ENDED 30 MARCH 2011**

The directors present their report and the financial statements for the period ended 30 March 2011. The financial statements are for a period of 52 weeks (2010 - 53 weeks).

#### **Principal activities**

The principal activity of the group during the period was that of hotel, spa and golf club operators.

#### **Business review**

The group operates at the luxury end of the UK provincial hotel and leisure market, with a clear strategy to provide customer satisfaction and outstanding value for money. The group is also establishing the EH Venues brand and has recently acquired The Royal Berkshire Hotel near Ascot for £15.4m, and is also proving successful with its Exclusive Hotel Management focus.

Whilst trading conditions remained challenging, the group turnover increased by 10.2% on the previous year to £39,527,053 with an exceptionally good conversion and an increase on profit before taxation to £3,648,896.

During the year the conference and leisure segments moved forward both in terms of occupancy and average room rate. Weddings were more challenging.

#### **Results**

The profit for the period, after taxation, amounted to £2,510,152 (2010 - £1,162,389).

The EBITDA for the period was £8,393,462 (2010 - £6,977,318). A dividend of £300,000 was paid during the year (2010 - £150,000).

#### **Directors**

The directors who served during the period were:

G Pecorelli  
D L E Pecorelli  
N L P Pecorelli (resigned 31 December 2010)  
C Davies  
R M Gradon  
N L Luff  
M-L Audet (appointed 31 December 2010)

#### **Land and buildings**

The directors continue to report historical asset valuations in these accounts. The directors are confident that the current market value for the group's hotels and other fixed assets is in excess of £125m prior to the acquisition of the Royal Berkshire Hotel with bank borrowing, prior to the acquisition, continuing to reduce at a good pace.

#### **Outlook**

The principal risks to the business arise from the global challenges in customer demand for hotel services. Our strategy therefore continues to be to focus on UK business first and foremost, we continue to focus on strong relationships with our corporate bookers, consistent refreshment of our product along with innovative new products, such as The Bakery at Pennyhill Park Hotel and interactive Wine Cellar at South Lodge. The Group continues to receive many accolades including Best Medium Sized Hospitality Employer.

## **THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

### **DIRECTORS' REPORT FOR THE PERIOD ENDED 30 MARCH 2011**

#### **Financial Instruments**

The group is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. Its policy is to finance working capital and fixed assets through retained earnings and through borrowings at prevailing market interest rates.

The group's exposure to the price risk of financial instruments is therefore minimal. As the counterparty to all financial instruments is its bankers, it is also exposed to minimal credit and liquidity risks in respect of these instruments. The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position or profit.

The term debt has reduced in line with the group's plans. The overdraft borrowings have reduced due to positive cash generation throughout the financial year.

#### **Expansion programme**

In May 2011 we purchased The Royal Berkshire Hotel for the sum of £15.4 million with a clear focus to grow the Venues brand and to look at ways of enhancing our revenue streams and improve our conversion rates within the Exclusive portfolio.

#### **Environment**

We continue to be exceptionally focused on respecting our environment with the introduction of zero direct to land fill policy this year and a trial food waste composter at South Lodge Hotel.

#### **Personnel**

Our achievement in continued recognition within "Sunday Times Top 100", "One to Watch" and "Best Medium Sized Employer in Hospitality", continues to help us focus on putting our people at the heart of our philosophy.

#### **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

#### **Employee consultation**

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

**THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

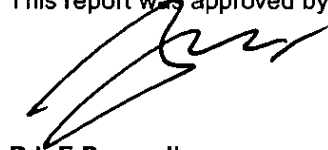
**DIRECTORS' REPORT  
FOR THE PERIOD ENDED 30 MARCH 2011**

**Provision of information to auditor**

Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditor in connection with preparing his report and to establish that the company and the group's auditor is aware of that information

This report was approved by the board on *3rd November 2011* and signed on its behalf



**D L E Pecorelli**  
Director

## **THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE PERIOD ENDED 30 MARCH 2011**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 the group and of the profit or loss of the company and the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 company and the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

We have audited the financial statements of The Manor House Hotel (Castle Combe) Limited for the period ended 30 March 2011 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 March 2011 and of the group's profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



**THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

PKF(UK) LLP

**Stuart Collins** (Senior statutory auditor)  
for and on behalf of PKF (UK) LLP, Statutory auditor  
Guildford, UK

3 November 2011

**THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 30 MARCH 2011**

	Note	2011 £	2010 £
<b>TURNOVER</b>			
Group and share of joint venture turnover		39,527,053	35,862,979
Less share of joint venture turnover		<u>(1,033,396)</u>	<u>(1,155,940)</u>
Group turnover	2	38,493,657	34,707,039
Cost of sales		<u>(6,350,777)</u>	<u>(5,888,020)</u>
<b>GROSS PROFIT</b>		32,142,880	28,819,019
Administrative expenses		<u>(27,504,206)</u>	<u>(26,522,128)</u>
Other operating income	3	<u>120,000</u>	<u>84,240</u>
<b>OPERATING PROFIT</b>	4	4,758,674	2,381,131
Share of operating profit in joint venture		<u>10,959</u>	<u>155,649</u>
<b>TOTAL OPERATING PROFIT</b>		4,769,633	2,536,780
Interest payable	8	<u>(1,120,737)</u>	<u>(1,092,477)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		3,648,896	1,444,303
Tax on profit on ordinary activities	9	<u>(1,138,744)</u>	<u>(281,914)</u>
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	19	<u><u>2,510,152</u></u>	<u><u>1,162,389</u></u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the profit and loss account

The notes on pages 11 to 25 form part of these financial statements

**THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**  
**REGISTERED NUMBER 02256084**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 30 MARCH 2011**

		30 March 2011	31 March 2010
	Note	£	£
<b>FIXED ASSETS</b>			
Intangible assets	10	2,058,521	2,275,188
Tangible assets	11	61,962,268	62,395,201
Investments in joint venture			
-Share of gross assets		2,060,893	1,986,630
-Share of gross liabilities		(1,104,991)	(1,025,046)
Share of net assets	12	955,902	961,584
		<u>64,976,691</u>	<u>65,631,973</u>
<b>CURRENT ASSETS</b>			
Stocks	13	244,912	283,176
Debtors amounts falling due after more than one year	14	250,000	250,000
Debtors amounts falling due within one year	14	2,577,925	2,382,096
Cash at bank and in hand		3,170,191	1,743,406
		<u>6,243,028</u>	<u>4,658,678</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(12,990,539)</u>	<u>(12,393,013)</u>
<b>NET CURRENT LIABILITIES</b>		(6,747,511)	(7,734,335)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		58,229,180	57,897,638
<b>CREDITORS: amounts falling due after more than one year</b>	16	(34,440,555)	(36,037,286)
<b>PROVISIONS FOR LIABILITIES</b>			
Deferred tax	17	(363,825)	(645,704)
<b>NET ASSETS</b>		<u>23,424,800</u>	<u>21,214,648</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	15,000,000	15,000,000
Profit and loss account	19	8,424,800	6,214,648
<b>SHAREHOLDERS' FUNDS</b>	20	<u>23,424,800</u>	<u>21,214,648</u>

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

  
**D L E Pecorelli**  
 Director

*3rd November 2011*

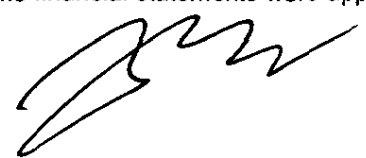
The notes on pages 11 to 25 form part of these financial statements

**THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**  
**REGISTERED NUMBER: 02256084**

**COMPANY BALANCE SHEET**  
**AS AT 30 MARCH 2011**

	Note	£	30 March 2011 £	£	31 March 2010 £
<b>FIXED ASSETS</b>					
Tangible assets	11		10,219,789		9,941,768
Investments	12		20,291,554		20,291,554
			<u>30,511,343</u>		<u>30,233,322</u>
<b>CURRENT ASSETS</b>					
Stocks	13	63,459		81,098	
Debtors amounts falling due after more than one year	14	11,039,228		11,590,459	
Debtors amounts falling due within one year	14	328,908		468,578	
Cash at bank and in hand		116,071		4,741	
		<u>11,547,666</u>		<u>12,144,876</u>	
<b>CREDITORS</b> amounts falling due within one year	15	(1,596,038)		(1,605,827)	
<b>NET CURRENT ASSETS</b>			<u>9,951,628</u>		<u>10,539,049</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>40,462,971</u>		<u>40,772,371</u>
<b>CREDITORS</b> amounts falling due after more than one year	16		(23,094,541)		(23,280,534)
<b>PROVISIONS FOR LIABILITIES</b>					
Deferred tax	17		(9,941)		(13,871)
<b>NET ASSETS</b>			<u>17,358,489</u>		<u>17,477,966</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18		15,000,000		15,000,000
Profit and loss account	19		2,358,489		2,477,966
<b>SHAREHOLDERS' FUNDS</b>	20		<u>17,358,489</u>		<u>17,477,966</u>

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

  
**D L E Pecorelli**  
 Director

*3rd November 2011*

The notes on pages 11 to 25 form part of these financial statements

**THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 30 MARCH 2011**

	<b>Note</b>	<b>2011 £</b>	<b>2010 £</b>
Net cash flow from operating activities	22	8,931,741	7,218,547
Returns on investments and servicing of finance	23	(1,104,096)	(1,082,807)
Taxation	23	(774,615)	(1,003,349)
Capital expenditure and financial investment	23	(2,951,469)	(1,869,035)
Equity dividends paid		(300,000)	(150,000)
<b>CASH INFLOW BEFORE FINANCING</b>		<b>3,801,561</b>	<b>3,113,356</b>
Financing	23	(1,509,208)	(197,557)
<b>INCREASE IN CASH IN THE PERIOD</b>		<b>2,292,353</b>	<b>2,915,799</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT  
FOR THE PERIOD ENDED 30 MARCH 2011**

	<b>2011 £</b>	<b>2010 £</b>
Increase in cash in the period	2,292,353	2,915,799
Cash outflow from decrease in debt and lease financing	1,509,208	191,557
<b>CHANGE IN NET DEBT RESULTING FROM CASH FLOWS</b>	<b>3,801,561</b>	<b>3,107,356</b>
Other non-cash changes	(13,213)	(175,560)
<b>MOVEMENT IN NET DEBT IN THE PERIOD</b>	<b>3,788,348</b>	<b>2,931,796</b>
Net debt at 1 April 2010	(37,327,512)	(40,259,308)
<b>NET DEBT AT 30 MARCH 2011</b>	<b>(33,539,164)</b>	<b>(37,327,512)</b>

The notes on pages 11 to 25 form part of these financial statements

## **THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 MARCH 2011**

#### **1 ACCOUNTING POLICIES**

##### **1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The group's business activities, future outlook and financial instruments are set out within the Directors' Report which can be seen on pages 1 to 2. The financial position of the group can be seen within the Consolidated Balance Sheet, with the cash flows described within the Consolidated Cash Flow Statement

The group reports net current liabilities of £6,747,511 (2010 £7,734,335). Future cashflows are expected to comfortably allow for the payment of all liabilities as they fall due. On this basis, the directors are satisfied that it is appropriate to prepare these financial statements on a going concern basis.

##### **1.2 Basis of consolidation**

The financial statements consolidate the accounts of The Manor House Hotel (Castle Combe) Limited and all of its subsidiary undertakings ('subsidiaries').

The results of subsidiaries acquired during the period are included from the effective date of acquisition.

The results of subsidiaries sold are included up to the effective date of disposal.

##### **1.3 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. Spa and golf membership subscriptions paid in advance are held as deferred income and recognised over the period to which they relate. Turnover is recognised at the point at which goods and services are delivered to the customer.

##### **1.4 Investments**

- (i) **Subsidiary undertakings**  
Investments in subsidiaries are valued at cost less provision for impairment.
- (ii) **Joint venture undertakings**  
Investments in joint ventures are stated at the company's share of net assets. The company's share of the profits or losses of the joint ventures is included in the profit and loss account using the equity accounting basis.

##### **1.5 Intangible fixed assets and amortisation**

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life of 15 years.

## THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 MARCH 2011

#### 1 ACCOUNTING POLICIES (continued)

##### 1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant & machinery	-	12.5% - 25% reducing balance
Fixtures, fittings and equipment	-	20% straight line

Freehold buildings are maintained to ensure that their value does not diminish over time. In the directors' opinion, the nature of the properties and the level of maintenance will result in a very high residual value such that depreciation would be immaterial and consequently has not been charged. The buildings are reviewed for impairment at the end of each reporting period.

##### 1.7 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

##### 1.8 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

##### 1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

##### 1.10 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the period.

**THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 MARCH 2011**

**2. TURNOVER**

The whole of the turnover is attributable to the one principal activity of the group

All turnover arose within the United Kingdom

**3. OTHER OPERATING INCOME**

	2011	2010
	£	£
Other operating income	<b>120,000</b>	<b>84,240</b>

Other operating income represents management fees charged by the group to its joint venture, Mannings Heath Golf Club Limited

**4. OPERATING PROFIT**

The operating profit is stated after charging

	2011	2010
	£	£
Amortisation - intangible fixed assets	<b>216,667</b>	216,667
Depreciation of tangible fixed assets		
- owned by the group	<b>3,391,314</b>	4,205,759
- held under finance leases	<b>15,848</b>	18,112

**5. AUDITORS' REMUNERATION**

	2011	2010
	£	£
Fees payable to the company's auditor for the audit of the company's annual accounts	<b>10,000</b>	10,000
Fees payable to the group's auditor and its associates in respect of		
The auditing of accounts of associates of the company pursuant to legislation	<b>45,000</b>	45,000
Other services relating to taxation	<b>-</b>	38,700



**THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 MARCH 2011**

**6 STAFF COSTS**

Staff costs, including directors' remuneration, were as follows

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>13,218,081</b>	12,425,051
Social security costs	<b>1,161,156</b>	1,073,029
Other pension costs	<b>309,233</b>	257,281
	<b><u>14,688,470</u></b>	<b><u>13,755,361</u></b>

The average monthly number of employees, including the directors, during the period was as follows

	<b>2011</b>	<b>2010</b>
	<b>No</b>	<b>No</b>
Direct labour and operatives	<b>488</b>	471
Management and administration	<b>92</b>	90
	<b><u>580</u></b>	<b><u>561</u></b>

**7. DIRECTORS' REMUNERATION**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Emoluments	<b><u>471,338</u></b>	<b><u>491,179</u></b>
Group pension contributions to money purchase pension schemes	<b><u>205,000</u></b>	<b><u>192,000</u></b>

During the period retirement benefits were accruing to 1 director (2010 - 1) in respect of defined contribution pension schemes

The highest paid director received remuneration of £217,113 (2010 - £240,225)

**8. INTEREST PAYABLE**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
On bank loans and overdrafts	<b>1,091,752</b>	1,042,985
On other loans	<b>7,412</b>	11,206
On finance leases and hire purchase contracts	<b>4,932</b>	4,932
Share of joint venture's interest payable	<b>16,641</b>	9,670
Other interest payable	<b>-</b>	23,684
	<b><u>1,120,737</u></b>	<b><u>1,092,477</u></b>

**THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 MARCH 2011**

**9. TAXATION**

	2011 £	2010 £
<b>Analysis of tax charge in the period</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit for the period	1,363,415	784,470
Adjustments in respect of prior periods	57,208	141,251
<b>Total current tax</b>	<u>1,420,623</u>	<u>925,721</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(320,570)	(551,401)
Adjustments in respect of prior periods	1,026	(21,884)
Effect of change in tax rates	37,665	(70,522)
<b>Total deferred tax</b> (see note 17)	<u>(281,879)</u>	<u>(643,807)</u>
<b>Tax on profit on ordinary activities</b>	<u><u>1,138,744</u></u>	<u><u>281,914</u></u>

**Factors affecting tax charge for the period**

The tax assessed for the period is higher than (2010 - higher than) the standard rate of corporation tax in the UK of 28% (2010 - 28%) The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before tax	<u>3,648,896</u>	<u>1,444,303</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 - 28%)	1,021,690	404,405
<b>Effects of.</b>		
Non-tax deductible amortisation of goodwill and impairment	22,375	66,411
Depreciation for period in excess of capital allowances	342,674	347,594
Adjustments to tax charge in respect of prior periods	57,208	141,251
Short term timing difference leading to an increase (decrease) in taxation	(2,240)	-
Utilisation of tax losses	(16,132)	-
Small company relief	-	(10,703)
Additional adjustments for tax purposes	(4,952)	(23,237)
<b>Current tax charge for the period</b> (see note above)	<u><u>1,420,623</u></u>	<u><u>925,721</u></u>

**Factors that may affect future tax charges**

See note 17 for explanation of movements on deferred tax The group will benefit from the reduction in the rate of corporation tax to 26% for the next financial year, and from the proposed reduction to 23% in subsequent years There were no other factors that may affect future tax charges

**THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 MARCH 2011**

**10 INTANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Patents and trademarks £</b>	<b>Develop- ment £</b>	<b>Goodwill £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 April 2010 and 30 March 2011	99	90	3,250,000	3,250,189
<b>Amortisation</b>				
At 1 April 2010	-	-	975,001	975,001
Charge for the period	-	-	216,667	216,667
At 30 March 2011	-	-	1,191,668	1,191,668
<b>Net book value</b>				
At 30 March 2011	99	90	2,058,332	2,058,521
At 31 March 2010	99	90	2,274,999	2,275,188

**11. TANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Freehold property £</b>	<b>Plant &amp; machinery £</b>	<b>Fixtures, fittings and equipment £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 April 2010	51,292,825	14,133,526	19,384,673	84,811,024
Additions	548,351	774,145	1,651,733	2,974,229
At 30 March 2011	51,841,176	14,907,671	21,036,406	87,785,253
<b>Depreciation</b>				
At 1 April 2010	-	6,155,028	16,260,795	22,415,823
Charge for the period	-	1,202,299	2,204,863	3,407,162
At 30 March 2011	-	7,357,327	18,465,658	25,822,985
<b>Net book value</b>				
At 30 March 2011	51,841,176	7,550,344	2,570,748	61,962,268
At 31 March 2010	51,292,825	7,978,498	3,123,878	62,395,201

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

<b>Group</b>	<b>30 March 2011 £</b>	<b>31 March 2010 £</b>
Plant and machinery	110,939	126,788

**THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 MARCH 2011**

**11 TANGIBLE FIXED ASSETS (continued)**

Included in land and buildings is freehold land at a cost of £3,500,000 (2010 £3,500,000) which is not depreciated

<b>Company</b>	<b>Freehold property £</b>	<b>Plant &amp; machinery £</b>	<b>Fixtures, fittings and equipment £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 April 2010	9,017,012	1,018,780	3,496,554	13,532,346
Additions	-	190,274	347,828	538,102
At 30 March 2011	<u>9,017,012</u>	<u>1,209,054</u>	<u>3,844,382</u>	<u>14,070,448</u>
<b>Depreciation</b>				
At 1 April 2010	-	373,184	3,217,394	3,590,578
Charge for the period	-	105,125	154,956	260,081
At 30 March 2011	<u>-</u>	<u>478,309</u>	<u>3,372,350</u>	<u>3,850,659</u>
<b>Net book value</b>				
At 30 March 2011	<u>9,017,012</u>	<u>730,745</u>	<u>472,032</u>	<u>10,219,789</u>
At 31 March 2010	<u>9,017,012</u>	<u>645,596</u>	<u>279,160</u>	<u>9,941,768</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

<b>Company</b>	<b>30 March 2011 £</b>	<b>31 March 2010 £</b>
Plant and machinery	<u>110,939</u>	<u>126,788</u>

Included in land and buildings is freehold land at a cost of £250,000 (2010 £250,000), which is not depreciated

**THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 MARCH 2011**

**12. FIXED ASSET INVESTMENTS**

	<b>Investment in joint venture £</b>
<b>Group</b>	
<b>Cost or valuation</b>	
At 1 April 2010	961,584
Share of profit/(loss)	(5,682)
At 30 March 2011	<u>955,902</u>
<b>Net book value</b>	
At 30 March 2011	<u>955,902</u>
At 31 March 2010	<u>961,584</u>

**Participating interests**

The movement in the year is the net amount of the group's share of the profit of £5,682

	<b>Investments in subsidiary companies £</b>	<b>Investment in joint ventures £</b>	<b>Total £</b>
<b>Company</b>			
<b>Cost or valuation</b>			
At 1 April 2010 and 30 March 2011	<u>19,291,554</u>	<u>2,397,014</u>	<u>21,688,568</u>
<b>Impairment</b>			
At 1 April 2010 and 30 March 2011	<u>-</u>	<u>1,397,014</u>	<u>1,397,014</u>
<b>Net book value</b>			
At 30 March 2011	<u>19,291,554</u>	<u>1,000,000</u>	<u>20,291,554</u>
At 31 March 2010	<u>19,291,554</u>	<u>1,000,000</u>	<u>20,291,554</u>

Details of the principal subsidiaries and joint venture can be found under note number 30

**13. STOCKS**

	<b>Group</b>		<b>Company</b>	
	<b>30 March 2011 £</b>	<b>31 March 2010 £</b>	<b>30 March 2011 £</b>	<b>31 March 2010 £</b>
Finished goods and goods for resale	<u>244,912</u>	<u>283,176</u>	<u>63,459</u>	<u>81,098</u>

**THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 MARCH 2011**

**14. DEBTORS**

	<u>Group</u>		<u>Company</u>	
	30 March 2011 £	31 March 2010 £	30 March 2011 £	31 March 2010 £
<b>Due after more than one year</b>				
Amounts owed by group undertakings	-	-	10,789,228	11,340,459
Amounts owed by undertakings in which the company has a participating interest	250,000	250,000	250,000	250,000
	<u>250,000</u>	<u>250,000</u>	<u>11,039,228</u>	<u>11,590,459</u>
	<u>Group</u>		<u>Company</u>	
	30 March 2011 £	31 March 2010 £	30 March 2011 £	31 March 2010 £
<b>Due within one year</b>				
Trade debtors	1,734,215	1,196,746	100,507	126,111
Other debtors	617,000	686,012	130,666	122,343
Prepayments and accrued income	226,710	499,338	97,735	220,124
	<u>2,577,925</u>	<u>2,382,096</u>	<u>328,908</u>	<u>468,578</u>

**15 CREDITORS**

**Amounts falling due within one year**

	<u>Group</u>		<u>Company</u>	
	30 March 2011 £	31 March 2010 £	30 March 2011 £	31 March 2010 £
Bank loans and overdrafts	2,344,353	3,139,921	-	17,015
Net obligations under finance leases and hire purchase contracts	28,980	33,911	28,980	33,911
Trade creditors	1,496,734	1,628,695	129,821	329,268
Corporation tax	1,102,565	456,557	-	-
Social security and other taxes	1,373,597	1,281,816	181,765	136,870
Other creditors	1,682,819	881,499	256,268	211,080
Accruals and deferred income	4,961,491	4,970,614	999,204	877,683
	<u>12,990,539</u>	<u>12,393,013</u>	<u>1,596,038</u>	<u>1,605,827</u>

Bank loans and overdrafts are secured by a mortgage debenture covering the freehold properties of Pennyhill Park Limited and South Lodge Limited

**THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 MARCH 2011**

**16. CREDITORS:**  
**Amounts falling due after more than one year**

	<b>Group</b>		<b>Company</b>	
	<b>30 March 2011 £</b>	<b>31 March 2010 £</b>	<b>30 March 2011 £</b>	<b>31 March 2010 £</b>
Bank loans	28,254,213	29,571,500	-	-
Other loans	6,017,994	6,217,994	6,017,994	6,217,994
Net obligations under finance leases and hire purchase contracts	63,815	107,592	63,815	107,592
Amounts owed to group undertakings	-	-	16,908,199	16,814,748
Other creditors	104,533	140,200	104,533	140,200
	<b>34,440,555</b>	<b>36,037,286</b>	<b>23,094,541</b>	<b>23,280,534</b>

Creditors include amounts not wholly repayable within 5 years as follows

	<b>Group</b>		<b>Company</b>	
	<b>30 March 2011 £</b>	<b>31 March 2010 £</b>	<b>30 March 2011 £</b>	<b>31 March 2010 £</b>
Repayable by instalments	14,968,750	16,218,750	-	-
Repayable other than by instalments	6,017,994	6,217,994	6,017,994	6,217,994
	<b>20,986,744</b>	<b>22,436,744</b>	<b>6,017,994</b>	<b>6,217,994</b>

As at 30 March 2011, the group had two bank loans

One loan, with a balance of £22.6million, is repayable in semi-annual instalments with a final repayment date no later than 30 September 2025. Through an interest rate swap, £10million of this loan incurs interest at a fixed rate of 3.1% per annum. The remainder of the loan incurs interest at a floating rate of LIBOR plus a margin of 1.125% per annum.

The second loan, with a balance of £7million, is repayable in quarterly instalments commencing in January 2012, with the remaining balance being repayable in September 2014. Through interest rate swaps, £3.5million of this loan incurred interest at a rate of 3.63% per annum. The remainder of the loan incurred interest at a floating rate of LIBOR plus a margin of 1.95% per annum. This loan was repaid in May 2011 (see note 28).

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	<b>Group</b>		<b>Company</b>	
	<b>30 March 2011 £</b>	<b>31 March 2010 £</b>	<b>30 March 2011 £</b>	<b>31 March 2010 £</b>
Between one and five years	63,815	107,592	63,815	107,592

Bank loans and overdrafts are secured by mortgage debentures covering the freehold properties of Pennyhill Park Limited and South Lodge Limited. The finance leases are secured over the relevant fixed assets acquired.

**THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 MARCH 2011**

**17 DEFERRED TAXATION**

	<u>Group</u>		<u>Company</u>	
	30 March 2011 £	31 March 2010 £	30 March 2011 £	31 March 2010 £
At beginning of period	645,704	1,289,511	13,871	150,986
(Released during)/charge for the period	(282,905)	(621,923)	9,941	(137,115)
Adjustments in respect of prior periods	1,026	(21,884)	(13,871)	-
	<u>363,825</u>	<u>645,704</u>	<u>9,941</u>	<u>13,871</u>

The provision for deferred taxation is made up as follows

	<u>Group</u>		<u>Company</u>	
	30 March 2011 £	31 March 2010 £	30 March 2011 £	31 March 2010 £
Accelerated capital allowances	380,429	647,944	12,758	13,871
Short term timing differences	-	(2,240)	-	-
Tax losses	(16,604)	-	(2,817)	-
	<u>363,825</u>	<u>645,704</u>	<u>9,941</u>	<u>13,871</u>

**18. SHARE CAPITAL**

	30 March 2011 £	31 March 2010 £
<b>Allotted, called up and fully paid</b>		
15,000,000 Ordinary shares of £1 each	<u>15,000,000</u>	<u>15,000,000</u>

**19. RESERVES**

<b>Group</b>	<b>Profit and loss account £</b>
At 1 April 2010	6,214,648
Profit for the period	2,510,152
Dividends Equity capital	(300,000)
	<u>8,424,800</u>
At 30 March 2011	



**THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 MARCH 2011**

**19. RESERVES (continued)**

<b>Company</b>	<b>Profit and loss account £</b>
At 1 April 2010	2,477,966
Profit for the period	180,523
Dividends Equity capital	(300,000)
	<hr/>
At 30 March 2011	<b>2,358,489</b>
	<hr/>

**20 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	<b>30 March 2011 £</b>	<b>31 March 2010 £</b>
<b>Group</b>		
Opening shareholders' funds	21,214,648	20,202,259
Profit for the period	2,510,152	1,162,389
Dividends (Note 21)	(300,000)	(150,000)
	<hr/>	<hr/>
Closing shareholders' funds	<b>23,424,800</b>	<b>21,214,648</b>
	<hr/>	<hr/>

	<b>30 March 2011 £</b>	<b>31 March 2010 £</b>
<b>Company</b>		
Opening shareholders' funds	17,477,966	16,150,784
Profit for the period	180,523	1,477,182
Dividends (Note 21)	(300,000)	(150,000)
	<hr/>	<hr/>
Closing shareholders' funds	<b>17,358,489</b>	<b>17,477,966</b>
	<hr/>	<hr/>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account

The profit for the period dealt with in the accounts of the company was £180,523 (2010 - £1,477,182)

**21 DIVIDENDS**

	<b>2011 £</b>	<b>2010 £</b>
Dividends paid on equity capital (£0.02 per share (2010 £0.01))	<b>300,000</b>	<b>150,000</b>
	<hr/>	<hr/>

**THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 MARCH 2011**

**22. NET CASH FLOW FROM OPERATING ACTIVITIES**

	2011 £	2010 £
Operating profit	4,758,704	2,381,131
Amortisation of intangible fixed assets	216,667	216,667
Depreciation of tangible fixed assets	3,407,162	4,223,871
Profit on disposal of tangible fixed assets	-	4,512
Amortisation of loan finance costs	13,213	6,000
Decrease in stocks	38,264	21,412
Increase in debtors	(195,829)	(101,091)
Increase in creditors	693,560	466,045
<b>Net cash inflow from operating activities</b>	<b>8,931,741</b>	<b>7,218,547</b>

**23. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT**

	2011 £	2010 £
<b>Returns on investments and servicing of finance</b>		
Interest paid	(1,099,164)	(1,077,875)
Hire purchase interest	(4,932)	(4,932)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(1,104,096)</b>	<b>(1,082,807)</b>
	2011 £	2010 £
<b>Taxation</b>		
Corporation tax	(774,615)	(1,003,349)
	2011 £	2010 £
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(2,951,469)	(1,869,035)
	2011 £	2010 £
<b>Financing</b>		
New secured loans	-	7,000,000
Finance costs attributed to new loans	-	(59,500)
Repayment of secured loans	-	(7,010,000)
Repayment of other loans	(1,460,500)	(100,000)
Repayment of finance leases	(48,708)	(28,057)
<b>Net cash outflow from financing</b>	<b>(1,509,208)</b>	<b>(197,557)</b>

**THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 MARCH 2011**

**24. ANALYSIS OF CHANGES IN NET DEBT**

	1 April 2010	Cash flow	Other non-cash changes	30 March 2011
	£	£	£	£
Cash at bank and in hand	1,743,406	1,426,785	-	3,170,191
Bank overdraft	(1,889,921)	865,568	-	(1,024,353)
	(146,515)	2,292,353	-	2,145,838
Debts due within one year	(1,283,911)	1,509,208	(1,574,277)	(1,348,980)
Debts falling due after more than one year	(35,897,086)	-	1,561,064	(34,336,022)
<b>Net debt</b>	<b>(37,327,512)</b>	<b>3,801,561</b>	<b>(13,213)</b>	<b>(33,539,164)</b>

**25. MAJOR NON-CASH TRANSACTIONS**

£13,213 (2010 - £6,000) of capitalised finance costs were amortised during the year

**26. PENSION COMMITMENTS**

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 £309,233 (2010 £257,281). For both 2011 and 2010, at the balance sheet date, there are no contributions payable to the fund and included in creditors.

**27. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption allowed under FRS 8 "Related Party Disclosures" not to disclose transactions with other members of the group.

At the period end there was a loan repayable from the joint venture entity, Mannings Heath Golf Club Limited of £250,000 (2010 £250,000).

A management charge of £120,000 (2010 £84,240) was paid during the period by Mannings Heath Golf Club Limited.

Included in other creditors due after more than one year is a loan from a director and shareholder, G Pecorelli, of £6,017,994 (2010 £6,217,944). The loan is interest free and is not due for repayment until after 31 March 2012.

Included in other creditors (split between other creditors due within one year and other creditors due after more than one year) is a loan from the Pecorelli Pension Scheme of the directors and shareholders of £152,047 (2010 £193,417). The loan is interest bearing, payable in monthly installments of which the final payment is due on 30 June 2013.

## THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 MARCH 2011

#### 28. POST BALANCE SHEET EVENTS

In May 2011 the group purchased The Royal Berkshire Hotel near Ascot for £15.4million. As part of the financing arrangements for the acquisition, an existing loan of £7million was replaced by a new loan of £19million. This new loan is secured by mortgage debentures covering The Royal Berkshire Hotel and the freehold properties of South Lodge Limited and Fanhams Hall Hotel Limited.

#### 29. CONTROLLING PARTY

Mr G Pecorelli, a director of the company, and his family control 100% of the issued share capital.

#### 30. PRINCIPAL SUBSIDIARIES AND JOINT VENTURE

##### a. Principal subsidiaries

Company name	Country	Percentage Shareholding	Description
Pennyhill Park Limited	England	100	Hotel operation
Lainston House Limited	England	100	Hotel operation
South Lodge Limited	England	100	Hotel operation
Fanhams Hall Hotel Limited	England	100	Hotel operation
Exclusive Hotel Management Limited	England	100	Hotel management

##### b. Principal joint venture

Company name	Country	Percentage Shareholding	Description
Mannings Heath Golf Club Limited	England	50	Golf club