

THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 28 MARCH 2012

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THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

COMPANY INFORMATION

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

THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

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THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 28 MARCH 2012

The directors present their report and the financial statements for the period ended 28 March 2012

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 this has been strengthened by the purchase of the Royal Berkshire Hotel near Ascot which has traded to expectations, there is also a growing focus on Exclusive Hotel Management providing management and consultancy services.

Results

The profit for the period, after taxation, amounted to £2,235,693 (2011 - £2,510,152)

The EBITDA for the period was £8,275,551 (2011 - £8,393,462). A dividend of £375,000 was paid during the year (2011 - £300,000).

Directors

The directors who served during the period were

G Pecorelli
D L E Pecorelli
C Davies
R M Gradon
N L Luff
M-L Audet

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 £140m with bank borrowing, after taking account of its increase due to the acquisition of the Royal Berkshire Hotel, 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 and to focus on the quality of our leisure and food and beverage offerings. The Group also continues to receive many accolades with two restaurants in the UK top 50 and continued recognition as a good quality employer.

THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 28 MARCH 2012

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 period.

Environment

We continue to be exceptionally focused on respecting our environment with the introduction of zero direct to land fill policy this period 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.

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 14 September 2012 and signed on its behalf



D L E Pecorelli
Director

THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE PERIOD ENDED 28 MARCH 2012

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 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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, to disclose with reasonable accuracy at any time the financial position of the company and to 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 28 March 2012 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 directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 28 March 2012 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 behalf of PKF (UK) LLP, Statutory auditor
Guildford, UK
14 September 2012

THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 28 MARCH 2012**

	Note	2012 £	2011 £
TURNOVER			
Group and share of joint venture turnover		42,346,349	39,527,053
Less share of joint venture's turnover		(1,048,925)	(1,033,396)
Group turnover	2	41,297,424	38,493,657
Cost of sales		(7,120,459)	(6,350,777)
GROSS PROFIT		34,176,965	32,142,880
Administrative expenses		(29,165,085)	(27,504,206)
Other operating income	3	105,000	120,000
OPERATING PROFIT	4	5,116,880	4,758,674
Share of operating (loss)/profit in joint ventures		(9,199)	10,959
TOTAL OPERATING PROFIT		5,107,681	4,769,633
Interest payable and similar charges	8	(1,802,332)	(1,120,737)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,305,349	3,648,896
Tax on profit on ordinary activities	9	(1,069,656)	(1,138,744)
PROFIT FOR THE FINANCIAL PERIOD	19	2,235,693	2,510,152

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account

The notes on pages 10 to 25 form part of these financial statements

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

CONSOLIDATED BALANCE SHEET
AS AT 28 MARCH 2012

	Note	£	28 March 2012 £	£	30 March 2011 £
FIXED ASSETS					
Intangible assets	10		1,841,764		2,058,521
Tangible assets	11		76,207,098		61,962,268
Investments in joint venture					
-Share of gross assets		1,985,889		2,060,893	
-Share of gross liabilities		(1,059,380)		(1,104,991)	
Share of net assets	12		926,509		955,902
			<u>78,975,371</u>		<u>64,976,691</u>
CURRENT ASSETS					
Stocks	13	276,352		244,912	
Debtors amounts falling due after more than one year	14	250,000		250,000	
Debtors amounts falling due within one year	14	2,166,944		2,577,925	
Cash at bank and in hand		2,272,532		3,170,191	
		<u>4,965,828</u>		<u>6,243,028</u>	
CREDITORS: amounts falling due within one year	15	<u>(14,011,656)</u>		<u>(12,990,539)</u>	
NET CURRENT LIABILITIES			<u>(9,045,828)</u>		<u>(6,747,511)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>69,929,543</u>		<u>58,229,180</u>
CREDITORS: amounts falling due after more than one year	16		<u>(44,368,553)</u>		<u>(34,440,555)</u>
PROVISIONS FOR LIABILITIES					
Deferred tax	17		<u>(275,497)</u>		<u>(363,825)</u>
NET ASSETS			<u>25,285,493</u>		<u>23,424,800</u>
CAPITAL AND RESERVES					
Called up share capital	18		15,000,000		15,000,000
Profit and loss account	19		10,285,493		8,424,800
SHAREHOLDERS' FUNDS	20		<u>25,285,493</u>		<u>23,424,800</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 September 2012


D E Pecorelli
 Director

The notes on pages 10 to 25 form part of these financial statements

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

COMPANY BALANCE SHEET
AS AT 28 MARCH 2012

	Note	£	28 March 2012 £	£	30 March 2011 £
FIXED ASSETS					
Tangible assets	11		10,192,089		10,219,789
Investments	12		22,291,552		20,291,554
			<u>32,483,641</u>		<u>30,511,343</u>
CURRENT ASSETS					
Stocks	13	66,749		63,459	
Debtors amounts falling due after more than one year	14	13,310,539		11,039,228	
Debtors amounts falling due within one year	14	225,552		328,908	
Cash at bank and in hand		4,020		116,071	
			<u>13,606,860</u>	<u>11,547,666</u>	
CREDITORS: amounts falling due within one year	15	(1,530,785)		(1,596,038)	
NET CURRENT ASSETS			<u>12,076,075</u>		<u>9,951,628</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>44,559,716</u>		<u>40,462,971</u>
CREDITORS: amounts falling due after more than one year	16		(27,238,510)		(23,094,541)
PROVISIONS FOR LIABILITIES					
Deferred tax	17		(5,661)		(9,941)
NET ASSETS			<u>17,315,545</u>		<u>17,358,489</u>
CAPITAL AND RESERVES					
Called up share capital	18		15,000,000		15,000,000
Profit and loss account	19		2,315,545		2,358,489
SHAREHOLDERS' FUNDS	20		<u>17,315,545</u>		<u>17,358,489</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 September 2012.



D L E Pecorelli
Director

The notes on pages 10 to 25 form part of these financial statements

THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 28 MARCH 2012**

	Note	2012 £	2011 £
Net cash flow from operating activities	23	9,868,162	8,931,741
Returns on investments and servicing of finance	24	(1,660,342)	(1,104,096)
Taxation	24	(1,293,194)	(774,615)
Capital expenditure and financial investment	24	(17,174,273)	(2,951,469)
Equity dividends paid		(375,000)	(300,000)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(10,634,647)	3,801,561
Financing	24	10,172,302	(1,509,208)
(DECREASE)/INCREASE IN CASH IN THE PERIOD		(462,345)	2,292,353

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE PERIOD ENDED 28 MARCH 2012**

	2012 £	2011 £
(Decrease)/Increase in cash in the period	(462,345)	2,292,353
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(10,172,302)	1,509,208
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	(10,634,647)	3,801,561
Other non-cash changes	(120,530)	(13,213)
MOVEMENT IN NET DEBT IN THE PERIOD	(10,755,177)	3,788,348
Net debt at 31 March 2011	(33,539,164)	(37,327,512)
NET DEBT AT 28 MARCH 2012	(44,294,341)	(33,539,164)

The notes on pages 10 to 25 form part of these financial statements

THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 MARCH 2012

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 £9,045,828 (2011 £6,747,511). 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.

THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 MARCH 2012

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 28 MARCH 2012

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

	2012 £	2011 £
Other operating income	105,000	120,000

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

	2012 £	2011 £
Amortisation - intangible fixed assets	216,667	216,667
Depreciation of tangible fixed assets		
- owned by the group	2,939,069	3,391,314
- held under finance leases	12,134	15,848

5 AUDITOR'S REMUNERATION

	2012 £	2011 £
Fees payable to the company's auditor for the audit of the company's annual accounts	11,500	10,000
Fees payable to the group's auditor and its associates in respect of		
The auditing of accounts of subsidiaries of the company pursuant to legislation	49,250	41,000
The auditing of accounts of joint ventures of the company pursuant to legislation	4,250	4,000
Other services relating to corporate finance	12,500	-

THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 MARCH 2012**

6 STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2012 £	2011 £
Wages and salaries	14,180,440	13,129,814
Social security costs	1,218,175	1,161,156
Other pension costs	366,878	332,837
	<u>15,765,493</u>	<u>14,623,807</u>

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

	2012 No	2011 No
Operations	499	488
Management	101	92
	<u>600</u>	<u>580</u>

7 DIRECTORS' REMUNERATION

	2012 £	2011 £
Emoluments	<u>535,067</u>	<u>471,338</u>
Group pension contributions to money purchase pension schemes	<u>205,000</u>	<u>205,000</u>

During the period retirement benefits were accruing to 1 director (2011 - 1) in respect of defined contribution pension schemes

The highest paid director received remuneration of £311,000 (2011 - £217,113)

8. INTEREST PAYABLE

	2012 £	2011 £
On bank loans and overdrafts	1,579,506	1,091,752
On other loans	5,904	7,412
On finance leases and hire purchase contracts	4,932	4,932
Share of joint venture's interest payable	20,194	16,641
Finance costs	191,796	-
	<u>1,802,332</u>	<u>1,120,737</u>

THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 MARCH 2012**

9 TAXATION

	2012 £	2011 £
Analysis of tax charge in the period		
Current tax (see note below)		
UK corporation tax charge on profit for the period	1,177,057	1,363,415
Adjustments in respect of prior periods	(19,073)	57,208
Total current tax	<u>1,157,984</u>	<u>1,420,623</u>
Deferred tax		
Origination and reversal of timing differences	(68,887)	(320,570)
Adjustments in respect of prior periods	3,515	1,026
Effect of change in tax rates	(22,956)	37,665
Total deferred tax (see note 17)	<u>(88,328)</u>	<u>(281,879)</u>
Tax on profit on ordinary activities	<u>1,069,656</u>	<u>1,138,744</u>

Factors affecting tax charge for the period

The tax assessed for the period is lower than (2011 - higher than) the standard rate of corporation tax in the UK of 26% (2011 - 28%). The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	<u>3,305,349</u>	<u>3,648,896</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011 - 28%)	859,391	1,021,690
Effects of		
Non-tax deductible amortisation of goodwill and impairment	56,333	22,375
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	344,886	-
Depreciation for period in excess of capital allowances	43,933	342,674
Adjustments to tax charge in respect of prior periods	(19,073)	57,208
Short term timing difference leading to an increase (decrease) in taxation	228	(2,240)
Utilisation of tax losses	(3,918)	(16,132)
Non-taxable income	(116,079)	-
Additional adjustments for tax purposes	(7,717)	(4,952)
Current tax charge for the period (see note above)	<u>1,157,984</u>	<u>1,420,623</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 current financial period, and from the proposed reduction to 23% in subsequent periods. 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 28 MARCH 2012**

10 INTANGIBLE FIXED ASSETS

Group	Patents and trademarks £	Development £	Goodwill £	Total £
Cost				
At 31 March 2011	99	90	3,250,000	3,250,189
Disposals	-	(90)	-	(90)
At 28 March 2012	99	-	3,250,000	3,250,099
Amortisation				
At 31 March 2011	-	-	1,191,668	1,191,668
Charge for the period	-	-	216,667	216,667
At 28 March 2012	-	-	1,408,335	1,408,335
Net book value				
At 28 March 2012	99	-	1,841,665	1,841,764
At 30 March 2011	99	90	2,058,332	2,058,521

11. TANGIBLE FIXED ASSETS

Group	Freehold property £	Plant & machinery £	Fixtures, fittings and equipment £	Total £
Cost				
At 31 March 2011	51,841,176	14,907,671	21,036,406	87,785,253
Additions	561,963	823,622	1,145,783	2,531,368
Disposals	-	(1,000)	-	(1,000)
On acquisition	10,497,422	2,362,005	1,806,238	14,665,665
At 28 March 2012	62,900,561	18,092,298	23,988,427	104,981,286
Depreciation				
At 31 March 2011	-	7,357,327	18,465,658	25,822,985
Charge for the period	-	1,453,153	1,498,050	2,951,203
At 28 March 2012	-	8,810,480	19,963,708	28,774,188
Net book value				
At 28 March 2012	62,900,561	9,281,818	4,024,719	76,207,098
At 30 March 2011	51,841,176	7,550,344	2,570,748	61,962,268

THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 MARCH 2012**

11 TANGIBLE FIXED ASSETS (continued)

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

	28 March 2012 £	30 March 2011 £
Group		
Plant and machinery	84,938	110,939

Included in land and buildings is freehold land at a cost of £3,500,000 (2011 £3,500,000) which is not depreciated

Company	Freehold property £	Plant & machinery £	Fixtures, fittings and equipment £	Total £
Cost				
At 31 March 2011	9,017,012	1,209,054	3,844,382	14,070,448
Additions	-	75,481	189,236	264,717
At 28 March 2012	9,017,012	1,284,535	4,033,618	14,335,165
Depreciation				
At 31 March 2011	-	478,309	3,372,350	3,850,659
Charge for the period	-	91,443	200,974	292,417
At 28 March 2012	-	569,752	3,573,324	4,143,076
Net book value				
At 28 March 2012	9,017,012	714,783	460,294	10,192,089
At 30 March 2011	9,017,012	730,745	472,032	10,219,789

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

	28 March 2012 £	30 March 2011 £
Company		
Plant and machinery	84,938	110,939

Included in land and buildings is freehold land at a cost of £250,000 (2011 £250,000), which is not depreciated

THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 MARCH 2012**

12 FIXED ASSET INVESTMENTS

	Investment in joint venture £
Group	
Cost or valuation	
At 31 March 2011	955,902
Share of loss	(29,393)
	<hr/>
At 28 March 2012	926,509
	<hr/>
Net book value	
At 28 March 2012	926,509
	<hr/> <hr/>
At 30 March 2011	955,902
	<hr/> <hr/>

Participating interests

The movement in the period is the net amount of the group's share of the loss of £29,393

Company	Investments in subsidiary companies £	Investment in joint ventures £	Total £
Cost or valuation			
At 31 March 2011	19,291,554	2,397,014	21,688,568
Additions	1,999,998	-	1,999,998
	<hr/>	<hr/>	<hr/>
At 28 March 2012	21,291,552	2,397,014	23,688,566
	<hr/>	<hr/>	<hr/>
Impairment			
At 31 March 2011 and 28 March 2012	-	1,397,014	1,397,014
	<hr/>	<hr/>	<hr/>
Net book value			
At 28 March 2012	21,291,552	1,000,000	22,291,552
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 March 2011	19,291,554	1,000,000	20,291,554
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

13 STOCKS

	Group		Company	
	28 March 2012 £	30 March 2011 £	28 March 2012 £	30 March 2011 £
Finished goods and goods for resale	276,352	244,912	66,749	63,459
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 MARCH 2012**

14. DEBTORS

	<u>Group</u>		<u>Company</u>	
	28 March 2012 £	30 March 2011 £	28 March 2012 £	30 March 2011 £
Due after more than one year				
Amounts owed by group undertakings	-	-	13,060,539	10,789,228
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>13,310,539</u>	<u>11,039,228</u>
	<u>Group</u>		<u>Company</u>	
	28 March 2012 £	30 March 2011 £	28 March 2012 £	30 March 2011 £
Due within one year				
Trade debtors	1,170,085	1,734,215	58,977	100,507
Other debtors	802,577	617,000	122,723	130,666
Prepayments and accrued income	194,282	226,710	43,852	97,735
	<u>2,166,944</u>	<u>2,577,925</u>	<u>225,552</u>	<u>328,908</u>

15 CREDITORS

Amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	28 March 2012 £	30 March 2011 £	28 March 2012 £	30 March 2011 £
Bank loans and overdrafts	2,219,292	2,344,353	49,158	-
Net obligations under finance leases and hire purchase contracts	28,980	28,980	28,980	28,980
Trade creditors	1,788,190	1,496,734	171,114	129,821
Corporation tax	967,355	1,102,565	8,572	-
Social security and other taxes	1,541,187	1,373,596	169,312	181,765
Other creditors	1,580,875	1,682,819	267,126	256,268
Accruals and deferred income	5,885,777	4,961,492	836,523	999,204
	<u>14,011,656</u>	<u>12,990,539</u>	<u>1,530,785</u>	<u>1,596,038</u>

The company is party to a cross guarantee for overdraft positions in Lainston House Limited and Pennyhill Park Limited. At the period end, the maximum exposure of the company was £589,038 (2011 £1,024,353).

THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 MARCH 2012**

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

	<u>Group</u>		<u>Company</u>	
	28 March 2012	30 March 2011	28 March 2012	30 March 2011
	£	£	£	£
Bank loans	38,465,770	28,254,213	-	-
Other loans	5,817,994	6,017,994	5,817,994	6,017,994
Net obligations under finance leases and hire purchase contracts	34,835	63,815	34,835	63,815
Amounts owed to group undertakings	-	-	21,335,727	16,908,199
Other creditors	49,954	104,533	49,954	104,533
	<u>44,368,553</u>	<u>34,440,555</u>	<u>27,238,510</u>	<u>23,094,541</u>

Creditors include amounts not wholly repayable within 5 years as follows

	<u>Group</u>		<u>Company</u>	
	28 March 2012	30 March 2011	28 March 2012	30 March 2011
	£	£	£	£
Repayable by instalments	15,125,000	14,968,750	-	-
Repayable other than by instalments	5,817,994	6,017,994	5,817,994	6,017,994
	<u>20,942,994</u>	<u>20,986,744</u>	<u>5,817,994</u>	<u>6,017,994</u>

As at 28 March 2012, the group had two bank loans

One loan, with a balance of £21.4million, 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% plus a margin of 1.125% per annum. The remainder of the loan incurs interest at a floating rate of LIBOR plus a margin of 1.125% per annum.

This bank loan is secured by a mortgage debenture incorporating a fixed and floating charge over all of Pennyhill Park Limited's assets, including a first legal mortgage over its freehold property.

The second loan, with a balance of £19million, is repayable in quarterly instalments commencing in June 2012, with the remaining balance being repayable in March 2016. Through interest rate swaps, £4million of this loan incurs interest at a fixed rate of 2.58% plus a margin of 2.75% per annum, £3.5million of this loan incurs interest at a fixed rate of 3.78% plus a margin of 2.75% per annum and £2million of this loan incurs interest at a fixed rate of 3.58% plus a margin of 2.75% per annum. The remainder of the loan incurs interest at a floating rate of LIBOR plus a margin of 2.75% per annum.

This bank loan is secured by a cross-guaranteed mortgage debenture, incorporating a fixed and floating charge over all of the assets, including a first legal mortgage over freehold land and property of the following companies: Exclusive Hotel Management Limited, Fanhams Hall Limited, Royal Berkshire Limited and South Lodge Limited.

Fair value accounting is not followed; therefore financial instruments are not included in the balance sheet at fair value. The fair value of the interest rate swaps held by the group at the balance sheet date is a liability of £977,739.

THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 MARCH 2012**

16. CREDITORS

Amounts falling due after more than one year (continued)

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

	<u>Group</u>		<u>Company</u>	
	28 March 2012	30 March 2011	28 March 2012	30 March 2011
	£	£	£	£
Between one and five years	34,835	63,815	34,835	63,815

The hire purchase contracts are secured over the relevant fixed assets acquired

17 DEFERRED TAXATION

	<u>Group</u>		<u>Company</u>	
	28 March 2012	30 March 2011	28 March 2012	30 March 2011
	£	£	£	£
At beginning of period	363,825	645,704	9,941	13,871
(Released during)/charge for the period	(91,843)	(282,905)	1,198	9,941
Adjustments in respect of prior periods	3,515	1,026	(5,478)	(13,871)
At end of period	275,497	363,825	5,661	9,941

The provision for deferred taxation is made up as follows

	<u>Group</u>		<u>Company</u>	
	28 March 2012	30 March 2011	28 March 2012	30 March 2011
	£	£	£	£
Accelerated capital allowances	290,919	380,429	5,661	12,758
Short term timing differences	(210)	-	-	-
Tax losses	(15,212)	(16,604)	-	(2,817)
	275,497	363,825	5,661	9,941

18 SHARE CAPITAL

	28 March 2012	30 March 2011
	£	£
Allotted, called up and fully paid		
15,000,000 Ordinary shares of £1 each	15,000,000	15,000,000

THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 MARCH 2012**

19 RESERVES

	Profit and loss account £
Group	
At 31 March 2011	8,424,800
Profit for the period	2,235,693
Dividends	(375,000)
	<hr/>
At 28 March 2012	10,285,493
	<hr/>
Company	
At 31 March 2011	2,358,489
Profit for the period	332,056
Dividends	(375,000)
	<hr/>
At 28 March 2012	2,315,545
	<hr/>

20 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	28 March 2012 £	30 March 2011 £
Group		
Opening shareholders' funds	23,424,800	21,214,648
Profit for the period	2,235,693	2,510,152
Dividends (Note 21)	(375,000)	(300,000)
	<hr/>	<hr/>
Closing shareholders' funds	25,285,493	23,424,800
	<hr/>	<hr/>
	28 March 2012 £	30 March 2011 £
Company		
Opening shareholders' funds	17,358,489	17,477,966
Profit for the period	332,056	180,523
Dividends (Note 21)	(375,000)	(300,000)
	<hr/>	<hr/>
Closing shareholders' funds	17,315,545	17,358,489
	<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 £332,056 (2011 - £180,523)

THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 MARCH 2012**

21 DIVIDENDS

	2012 £	2011 £
Dividends paid on equity capital (£0.025 per share (2011 £0.02))	<u>375,000</u>	<u>300,000</u>

22. ACQUISITIONS AND DISPOSALS

In May 2011 the group purchased The Royal Berkshire Hotel near Ascot

Acquisitions

	Vendors' book value £	Fair value to the group £
Assets and liabilities acquired		
Tangible fixed assets	<u>14,665,665</u>	<u>14,665,665</u>
Satisfied by		
Consideration		
Cash		13,960,000
Acquisition costs		<u>705,665</u>
		<u>14,665,665</u>
Goodwill		<u>-</u>

The group has been unable to obtain any financial information for The Royal Berkshire Hotel regarding periods prior to its acquisition

23 NET CASH FLOW FROM OPERATING ACTIVITIES

	2012 £	2011 £
Operating profit	5,116,880	4,758,704
Amortisation of intangible fixed assets	216,667	216,667
Depreciation of tangible fixed assets	2,951,203	3,407,162
Loss on disposal of tangible fixed assets	1,090	-
Amortisation of loan finance costs	-	13,213
(Increase)/decrease in stocks	(31,440)	38,264
Decrease/(increase) in debtors	410,981	(195,829)
Increase in creditors	1,202,781	693,560
Net cash inflow from operating activities	<u>9,868,162</u>	<u>8,931,741</u>

THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 MARCH 2012**

24 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2012 £	2011 £
Returns on investments and servicing of finance		
Interest paid	(1,585,410)	(1,099,164)
Hire purchase interest	(4,932)	(4,932)
Finance costs	(70,000)	-
	<hr/>	<hr/>
Net cash outflow from returns on investments and servicing of finance	(1,660,342)	(1,104,096)
	<hr/>	<hr/>
	2012 £	2011 £
Taxation		
Corporation tax	(1,293,194)	(774,615)
	<hr/>	<hr/>
	2012 £	2011 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(2,508,608)	(2,951,469)
Purchase of Royal Berkshire Hotel	(14,665,665)	-
	<hr/>	<hr/>
Net cash outflow from capital expenditure	(17,174,273)	(2,951,469)
	<hr/>	<hr/>
	2012 £	2011 £
Financing		
New secured loans	19,000,000	-
Repayment of loans	(8,450,000)	(1,460,500)
Repayment of finance leases	(28,980)	(48,708)
Finance costs	(348,718)	-
	<hr/>	<hr/>
Net cash inflow/(outflow) from financing	10,172,302	(1,509,208)
	<hr/>	<hr/>

THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 MARCH 2012

25 ANALYSIS OF CHANGES IN NET DEBT

	31 March 2011 £	Cash flow £	Other non-cash changes £	28 March 2012 £
Cash at bank and in hand	3,170,191	(897,659)	-	2,272,532
Bank overdraft	(1,024,353)	435,314	-	(589,038)
	<u>2,145,838</u>	<u>(462,345)</u>	<u>-</u>	<u>1,683,494</u>
Debts due within one year	(1,348,980)	1,608,698	(1,918,953)	(1,659,235)
Debts falling due after more than one year	(34,336,022)	(11,781,000)	1,798,423	(44,318,600)
Net debt	<u>(33,539,164)</u>	<u>(10,634,647)</u>	<u>(120,530)</u>	<u>(44,294,341)</u>

26 MAJOR NON-CASH TRANSACTIONS

£120,530 (2011 £13,213) of capitalised finance costs were amortised during the period

27 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 £366,878 (2011 £332,837). For both 2012 and 2011, at the balance sheet date, there are no contributions payable to the fund and included in creditors.

28. 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 (2011 £250,000).

A management charge of £105,000 (2011 £120,000) 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 £5,817,994 (2011 £6,017,994). 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 £104,734 (2011 £152,047). The loan is interest bearing, payable in monthly instalments of which the final payment is due on 30 June 2013.

29 CONTROLLING PARTY

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

THE MANOR HOUSE HOTEL (CASTLE COMBE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 MARCH 2012**

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
Royal Berkshire Hotel Limited	England	100	Hotel operation

b Principal joint venture

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