

Fanhams Hall Hotel Limited

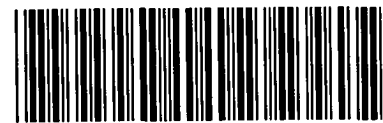
Annual Report and Financial Statements

Period Ended

28 March 2021

Company Number 05500642

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Fanhams Hall Hotel Limited

Company Information

Director	D L E Pecorelli
Company secretary	C L Davies
Registered number	05500642
Registered office	Executive Office Pennyhill Park Hotel & Spa London Road Bagshot Surrey GU19.5EU
Independent auditor	BDO LLP 31 Chertsey Street Guildford Surrey GU1 4HD
Solicitors	Herrington and Carmichael Solicitors Waters Edge Riverside Way Watchmoor Park Camberley Surrey GU15 3YL

Fanhams Hall Hotel Limited

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Fanhams Hall Hotel Limited

Strategic Report For the Period Ended 28 March 2021

The director presents his report together with the audited financial statements of Fanhams Hall Hotel Limited for the period ended 28th March 2021.

Business review

The principal activity of the company is that of the ownership and operation of Fanhams Hall Hotel, Ware, Hertfordshire. Fanhams Hall Hotel Limited is part of the Exclusive Collection, operating at the top end of the conference, weddings and leisure market segments. With a strong focus on differentiating our offering through quality of product, service and the development of our people.

The company has generated revenue of £0.27m (2020: £3.72m) and a loss on ordinary activities before taxation of £0.95m (2020: £0.05m).

The COVID-19 pandemic had a significant impact on trading. The two main market segments of Fanhams Weddings and mid market conferences were particularly badly hit. Weddings which is Fanhams largest market segment, even when we could trade, had number and extra social distancing restrictions which meant a significant number were postponed (in some cases multiple times). We maintained a view that we would be very flexible and allow all weddings to move without penalty to focus on maintaining the customer relationship. Our conferencing business was also impacted severely as most of it was digitised, or our regular large corporate clients cancelled their programmes.

Government support that included, furlough, rates reductions, grants and VAT reductions helped provide a reduced cost base and better conversion when we could trade. Attracting staff was extremely challenging due to the perception of hospitality not providing job security and the result of the inability to recruit EU citizens. This resulted in lower than wanted or predicted wage percentages.

Our banks continued to support us and good communication during the financial year with them provided each of us with comfort. During lockdowns we continued to invest in the hotel to ensure the physical product was in the best possible shape when we reopened.

Financial key performance indicators

The company's LBITDA was £(0.65) million for the period (2020: EBITDA £0.5 million).

Principal risks and uncertainties

The group is exposed to events that prevent the normal operation of our hotels, including pandemics, extreme weather events and other operational issues. Having a number of properties, in various locations, provides some mitigation to these operational risks. Some risks are covered by insurance.

We are also exposed to a downturn in demand for hotel stays, due to an economic recession or for other reasons. We seek to mitigate this risk by targeting different market segments, including the conference market, the leisure market and weddings.

We are impacted by changes in regulation, including legislation relating to employment, the environment and health and safety. The board regularly reviews changes in regulations, ensuring we have in place appropriate processes to maintain compliance, and adapting our business model as necessary.

This report was approved by the board on 23rd March 2022 and signed on its behalf.


D L E Pecorelli
Director

Fanhams Hall Hotel Limited

Director's Report For the Period Ended 28 March 2021

The director presents his report and the audited financial statements for the period ended 28 March 2021.

Principal activity

The principal activity of the company is the ownership and operation of Fanhams Hall Hotel, Hertfordshire.

Business review

A review of the business, its principal risks and uncertainties and future developments is set out in the strategic report on page 1 of these financial statements.

Results and dividends

The loss for the period, after taxation, amounted to £787,569 (2020: £40,206).

The director does not recommend the payment of a dividend (2020: £Nil).

Director

The director who served during the period was:

D L E Pecorelli

Going concern

The director is confident that for the foreseeable future, being at least 12 months from the approval of these financial statements, the company will be able to fund its operations and meet its liabilities as they fall due. The accounts have been prepared on a going concern basis accordingly.

At the balance sheet date the company is in a net current asset position of £5,065,480 and an overall net asset position of £2,502,223. The company's net current asset position includes non-cash liabilities (deferred income and deposits) of £891,567. During the period to 28 March 2021 the company suffered a loss of £787,569.

The company has prepared the financial statements for the period ended 28 March 2021 on a going concern basis. The nature and extent of the COVID-19 pandemic and steps taken by the government in response to the pandemic are continuously changing and their impact on the economy is being continually re-assessed, although the vaccination programme has helped to mitigate against the main effects of the pandemic. The restrictions on hotel opening and domestic and international travel in particular has had a direct impact on revenues in the hospitality industry. However, the recent easing of restrictions is encouraging. This and the performance of the company in the period from the start of the pandemic in March 2020 has helped to inform the basis of the director's assumptions on future trading but he does still recognise that there are some areas over which he has no control.

In light of the challenging economic environment, the company and the group of which it is a member have taken a number of steps, including:

- utilising COVID-19 related government incentives and tax reliefs;
- implementing cost reduction measures;
- renegotiating existing commitments and deferring short-term expenditure;
- extending and amending existing financing facilities; and
- securing new funding facilities from existing lenders.

By taking the steps detailed above, coupled with maximising revenues during permitted opening periods and the continuing revenues from providing services to elite sports, the group generated an EBITDA of £13.5 million in the period to January 2022. The overall group profit before tax for that period was £8.1 million, which included depreciation charged of £2.6 million. At the end of January 2022 the group had £10 million in cash.

Fanhams Hall Hotel Limited

Director's Report (continued) For the Period Ended 28 March 2021

Going concern (continued)

In March 2022 the group secured a new banking facility of £35 million to replace the existing bank loans. Of this amount £24.4 million is not due for repayment until the facility termination date, five years from utilisation and £5.6 million will be repaid in quarterly instalments from June 2023. The remainder of the facility comprises a £5 million revolving facility ultimately repayable on termination.

The director has prepared forecasts up to the end of March 2023 and based on these and on the successful steps taken by the group and the company to mitigate the financial impact of the pandemic, the performance of the group and the company in the pandemic period and the new financing obtained, the director is of the opinion that although COVID-19 does continue pose some limited continuing risk to the company, these risks are being well managed and are not considered to impact the going concern status of the company.

The director is confident that for the foreseeable future, being twelve months from the approval of these financial statements, the company would be able to meet its liabilities as they fall due. For this reason the director believes that it remains appropriate to prepare the accounts on the going concern basis.

Environment

We continue to be exceptionally focused on respecting our environment. Our zero direct to landfill policy is a focus key for us, and in all major decisions the environmental impact is discussed.

Employee consultation

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

Financial instruments

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

The company'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 respects of these instruments. The director does not consider any other risks attached to the use of financial instruments to be material to an assessment of its financial position or profit.

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 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.

Fanhams Hall Hotel Limited

Director's Report (continued) For the Period Ended 28 March 2021

Post balance sheet events

In March 2022 the group secured a new banking facility of £35 million to replace all existing bank loans. Of this amount £24.4 million is not due for repayment until the facility termination date, five years from utilisation and £5.6 million will be repaid in quarterly instalments from June 2023. The remainder of the facility comprises a £5 million revolving facility ultimately repayable on termination.

The £24.4 million facility is split evenly between Pennyhill Park Limited and South Lodge Limited, two fellow subsidiaries. The £5.6 million facility relates to Pennyhill Park Limited and the £5 million revolver facility to South Lodge Limited.

Disclosure of information to auditor

The director at the time when this director's report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 23rd March 2022 and signed on its behalf.



D L E Pecorelli
Director

Fanhams Hall Hotel Limited

Director's Responsibilities For the Period Ended 28 March 2021

The director is responsible for preparing the strategic report, the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial period. Under that law the director has 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 director must not approve the financial statements unless he is 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 these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- 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 director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

Fanhams Hall Hotel Limited

Independent Auditor's Report to the Members of Fanhams Hall Hotel Limited

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 March 2021 and of its loss 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.

We have audited the financial statements of Fanhams Hall Hotel ("the company") for the period ended 28 March 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Fanhams Hall Hotel Limited

Independent Auditor's Report to the Members of Fanhams Hall Hotel Limited (continued)

Other information

The director is responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

- the information given in the strategic report and the director's report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's report has been prepared in accordance with applicable legal requirements.

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

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

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

Responsibilities of director

As explained more fully in the director's responsibilities statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director 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 director is 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 director either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Fanhams Hall Hotel Limited

Independent Auditor's Report to the Members of Fanhams Hall Hotel Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company. These include, but are not limited to, compliance with the Companies Act 2006, UK GAAP and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

- We had discussions with management regarding known or suspected instances of non-compliance with laws and regulations and fraud;
- We challenged assumptions made by management in their significant accounting policies and estimates in particular in relation to the depreciation and impairment of fixed assets and the imputation of interest on long term debt; and
- We sample tested manual journal entries, in particular any journal entries posted with unusual characteristics.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Fanhams Hall Hotel Limited

Independent Auditor's Report to the Members of Fanhams Hall Hotel Limited (continued)

Use of our report

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

DocuSigned by:



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Nick Poulter (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Guildford
United Kingdom

Date: 23 March 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Fanhams Hall Hotel Limited

Statement of Comprehensive Income For the Period Ended 28 March 2021

	Note	2021 £	2020 £
Turnover	4	274,742	3,722,119
Cost of sales		(13,444)	(626,316)
Gross profit		261,298	3,095,803
Administrative expenses		(1,695,800)	(3,086,461)
Other operating income	7	521,620	-
Operating (loss)/profit	5	(912,882)	9,342
Interest payable and similar expenses	8	(35,802)	(59,473)
Loss before tax		(948,684)	(50,131)
Tax on loss	9	161,115	9,925
Loss for the financial period		(787,569)	(40,206)

All amounts relate to continuing operations.

There was no other comprehensive income for 2021 (2020: £Nil).

The notes on pages 13 to 27 form part of these financial statements.

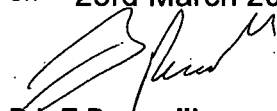
Fanhams Hall Hotel Limited

Registered number: 05500642

Statement of Financial Position As at 28 March 2021

	Note	28 March 2021 £	29 March 2020 £
Fixed assets			
Intangible assets	10	99	108,429
Tangible assets	11	3,732,875	3,812,371
		<u>3,732,974</u>	<u>3,920,800</u>
Current assets			
Stocks	12	11,325	17,125
Debtors: amounts falling due after more than one year	13	5,960,679	5,980,679
Debtors: amounts falling due within one year	13	451,245	257,850
Cash at bank and cash equivalents	14	176,303	762,516
		<u>6,599,552</u>	<u>7,018,170</u>
Creditors: amounts falling due within one year	15	(1,534,072)	(1,447,292)
Net current assets		<u>5,065,480</u>	<u>5,570,878</u>
Total assets less current liabilities		<u>8,798,454</u>	<u>9,491,678</u>
Creditors: amounts falling due after more than one year	16	(6,296,231)	(6,201,886)
Net assets		<u><u>2,502,223</u></u>	<u><u>3,289,792</u></u>
Capital and reserves			
Called up share capital	19	2,000,000	2,000,000
Profit and loss account	20	502,223	1,289,792
		<u><u>2,502,223</u></u>	<u><u>3,289,792</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23rd March 2022


D L E Pecorelli
Director

The notes on pages 13 to 27 form part of these financial statements.

Fanhams Hall Hotel Limited

Statement of Changes in Equity For the Period Ended 28 March 2021

	Called up share capital £	Profit and loss account £	Total equity £
At 30 March 2020	2,000,000	1,289,792	3,289,792
Comprehensive loss for the period			
Loss for the period	-	(787,569)	(787,569)
Total comprehensive loss for the period	-	(787,569)	(787,569)
At 28 March 2021	2,000,000	502,223	2,502,223

Statement of Changes in Equity For the Period Ended 29 March 2020

	Called up share capital £	Profit and loss account £	Total equity £
At 1 April 2019	2,000,000	1,329,998	3,329,998
Comprehensive loss for the period			
Loss for the period	-	(40,206)	(40,206)
Total comprehensive loss for the period	-	(40,206)	(40,206)
At 29 March 2020	2,000,000	1,289,792	3,289,792

The notes on pages 13 to 27 form part of these financial statements.

Fanhams Hall Hotel Limited

Notes to the Financial Statements For the Period Ended 28 March 2021

1. General information

Fanhams Hall Hotel Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act. The address of the registered office is given on the company information page and the nature of the company's operations and principal activities are given in the strategic report and director's report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of The Manor House Hotel (Castle Combe) Limited as at 28 March 2021 and these financial statements may be obtained from Companies House.

Fanhams Hall Hotel Limited

Notes to the Financial Statements For the Period Ended 28 March 2021

2. Accounting policies (continued)

2.3 Going concern

The director is confident that for the foreseeable future, being at least 12 months from the approval of these financial statements, the company will be able to fund its operations and meet its liabilities as they fall due. The accounts have been prepared on a going concern basis accordingly.

At the balance sheet date the company is in a net current asset position of £5,065,480 and an overall net asset position of £2,502,223. The company's net current asset position includes non-cash liabilities (deferred income and deposits) of £891,567. During the period to 28 March 2021 the company suffered a loss of £787,569.

The company has prepared the financial statements for the period ended 28 March 2021 on a going concern basis. The nature and extent of the COVID-19 pandemic and steps taken by the government in response to the pandemic are continuously changing and their impact on the economy is being continually re-assessed, although the vaccination programme has helped to mitigate against the main effects of the pandemic. The restrictions on hotel opening and domestic and international travel in particular has had a direct impact on revenues in the hospitality industry. However, the recent easing of restrictions is encouraging. This and the performance of the company in the period from the start of the pandemic in March 2020 has helped to inform the basis of the director's assumptions on future trading but he does still recognise that there are some areas over which he has no control.

In light of the challenging economic environment, the company and the group of which it is a member have taken a number of steps, including:

- utilising COVID-19 related government incentives and tax reliefs;
- implementing cost reduction measures;
- renegotiating existing commitments and deferring short-term expenditure;
- extending and amending existing financing facilities; and
- securing new funding facilities from existing lenders.

By taking the steps detailed above, coupled with maximising revenues during permitted opening periods and the continuing revenues from providing services to elite sports, the group generated an EBITDA of £13.5 million in the period to January 2022. The overall group profit before tax for that period was £8.1 million, which included depreciation charged of £2.6 million. At the end of January 2022 the group had £10 million in cash.

In March 2022 the group secured a new banking facility of £35 million to replace the existing bank loans. Of this amount £24.4 million is not due for repayment until the facility termination date, five years from utilisation and £5.6 million will be repaid in quarterly instalments from June 2023. The remainder of the facility comprises a £5 million revolving facility ultimately repayable on termination.

The director has prepared forecasts up to the end of March 2023 and based on these and on the successful steps taken by the group and the company to mitigate the financial impact of the pandemic, the performance of the group and the company in the pandemic period and the new financing obtained, the director is of the opinion that although COVID-19 does continue pose some limited continuing risk to the company, these risks are being well managed and are not considered to impact the going concern status of the company.

The director is confident that for the foreseeable future, being twelve months from the approval of these financial statements, the company would be able to meet its liabilities as they fall due. For this reason the director believes that it remains appropriate to prepare the accounts on the going concern basis.

Fanhams Hall Hotel Limited

Notes to the Financial Statements For the Period Ended 28 March 2021

2. Accounting policies (continued)

2.4 Turnover

Turnover represents amounts receivable for accommodation, food and beverage sales and ancillary hotel services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover is recognised at the point at which goods and services are delivered to the customer. All turnover arises in the United Kingdom.

2.5 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.6 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.7 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.8 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Fanhams Hall Hotel Limited

Notes to the Financial Statements For the Period Ended 28 March 2021

2. Accounting policies (continued)

2.9 Related party disclosures

As a wholly owned subsidiary of The Manor House Hotel (Castle Combe) Limited the company has taken advantage of the exemption allowed under FRS 102 Section S33.A not to disclose transactions with other 100% owned members of the group.

2.10 Intangible assets

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 statement of comprehensive income over its estimated economic life.

The director has determined that goodwill is to be amortised over 15 years.

2.11 Tangible fixed assets

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 and machinery	-	12.5% straight line
Fixtures, fittings and equipment	-	12.5% - 20% straight line
Computer and IT	-	33.3% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in "other operating income" in the statement of comprehensive income.

Freehold buildings are maintained to ensure that their value does not diminish over time and maintenance costs are charged to the statement of comprehensive income in the period incurred. In the director's opinion, the high level of maintenance ensures that the residual value of the buildings is 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.

2.12 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

2.13 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Fanhams Hall Hotel Limited

Notes to the Financial Statements For the Period Ended 28 March 2021

2. Accounting policies (continued)

2.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.16 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivable, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of an instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.17 Government grants

Grants are accounted under the accruals model as permitted by FRS 102.

Grants of a revenue nature are recognised in the statement of comprehensive income in the same period as the related expenditure.

Fanhams Hall Hotel Limited

Notes to the Financial Statements For the Period Ended 28 March 2021

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the director has made the following judgements:

- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such as a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Interest is imputed on the company's long term intercompany loans. Factors taken into account in reaching the imputed interest rate include the company's cost of external borrowing and the terms and conditions of the intercompany loans.
- Freehold property is not depreciated. This is because any depreciation charge would be highly immaterial as the property's useful economic life can be measured in centuries, and if the property were to be depreciated the residual value would be significant due to frequent maintenance and refurbishment works.

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 11)

Tangible fixed assets, other than freehold properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

4. Turnover

The whole of the turnover is attributable to the principal activities of the company.

All turnover arose within the United Kingdom.

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2021 £	2020 £
Depreciation of tangible fixed assets	139,713	227,867
Amortisation of intangible assets	108,330	216,667
Fees payable to the company's auditor and its associates for the audit of the company's financial statements	5,700	6,250
Defined pension contributions	15,015	24,390

The director is considered to be the key management of the company.

The director is remunerated by a fellow subsidiary undertaking, Pennyhill Park Limited.

Fanhams Hall Hotel Limited

Notes to the Financial Statements For the Period Ended 28 March 2021

6. Employees

Staff costs were as follows:

	2021 £	2020 £
Wages and salaries	899,030	1,304,003
Social security costs	53,698	98,046
Cost of defined contribution scheme	15,015	24,390
	<u>967,743</u>	<u>1,426,439</u>

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

	2021 No.	2020 No.
Operational staff	40	51
Management staff	9	10
	<u>49</u>	<u>61</u>

7. Other operating income

	2021 £	2020 £
Government grants receivable	<u>521,620</u>	<u>-</u>

8. Interest payable and similar expenses

	2021 £	2020 £
Bank interest payable	30,905	50,921
Loans from group undertakings	-	8,000
Finance leases and hire purchase contracts	552	552
Other interest	4,345	-
	<u>35,802</u>	<u>59,473</u>

Fanhams Hall Hotel Limited

Notes to the Financial Statements For the Period Ended 28 March 2021

9. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on losses for the period	-	11,503
Adjustments in respect of previous periods	(9,617)	-
Total current tax	(9,617)	11,503
Deferred tax		
Origination and reversal of timing differences	(153,733)	(9,396)
Effect of increased tax rate change on opening balance	-	(12,032)
Adjustment in respect of prior periods	2,235	-
Total deferred tax	(151,498)	(21,428)
Taxation on loss on ordinary activities	(161,115)	(9,925)

Factors affecting tax charge for the period

The tax assessed for the period is higher than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £	2020 £
Loss on ordinary activities before tax	(948,684)	(50,131)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(180,250)	(9,525)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,142	6,227
Adjustments to tax charge in respect of prior periods	(11,503)	-
Adjustments to tax charge in respect of prior periods - deferred tax	2,235	-
Adjustments to tax in respect of changes in tax rates - deferred tax	-	(12,033)
Deferred tax not recognised	(688)	688
Transfer pricing adjustments	4,106	4,718
Losses carried back	22,843	-
Total tax credit for the period	(161,115)	(9,925)

Fanhams Hall Hotel Limited

Notes to the Financial Statements For the Period Ended 28 March 2021

9. Taxation (continued)

Factors that may affect future tax charges

A change in the main UK corporation tax rate, announced in the budget on 3 March 2021, was substantively enacted on 24 May 2021. From 1 April 2023 the main corporation tax rate will increase from 19% to 25% on profits over £250,000. The rate for small profits under £50,000 will remain at 19%. Where the company's profits fall between £50,000 and £250,000, the lower and upper limits, it will be able to claim an amount of marginal relief providing a gradual increase in the corporation tax rate. This will increase the company's future tax charge accordingly.

10. Intangible assets

	Intellectual property £	Goodwill £	Total £
Cost			
At 29 March 2020 and 28 March 2021	99	3,250,000	3,250,099
Amortisation			
At 29 March 2020	-	3,141,670	3,141,670
Charge for the period	-	108,330	108,330
At 28 March 2021	-	3,250,000	3,250,000
Net book value			
At 28 March 2021	99	-	99
At 29 March 2020	99	108,330	108,429

Fanhams Hall Hotel Limited

Notes to the Financial Statements For the Period Ended 28 March 2021

11. Tangible fixed assets

	Freehold property £	Plant & machinery £	Fixtures, fittings and equipment £	Computer equipment £	Total £
Cost					
At 29 March 2020	3,409,377	3,022,053	2,133,343	138,219	8,702,992
Additions	-	20,000	1,630	38,587	60,217
At 28 March 2021	<u>3,409,377</u>	<u>3,042,053</u>	<u>2,134,973</u>	<u>176,806</u>	<u>8,763,209</u>
Depreciation					
At 29 March 2020	-	2,810,392	1,950,350	129,879	4,890,621
Charge for the period	-	47,628	79,578	12,507	139,713
At 28 March 2021	<u>-</u>	<u>2,858,020</u>	<u>2,029,928</u>	<u>142,386</u>	<u>5,030,334</u>
Net book value					
At 28 March 2021	<u>3,409,377</u>	<u>184,033</u>	<u>105,045</u>	<u>34,420</u>	<u>3,732,875</u>
At 29 March 2020	<u>3,409,377</u>	<u>211,661</u>	<u>182,993</u>	<u>8,340</u>	<u>3,812,371</u>

12. Stocks

	28 March 2021 £	29 March 2020 £
Finished goods and goods for resale	<u>11,325</u>	<u>17,125</u>

No stock was impaired or written off in the current or previous period.

Fanhams Hall Hotel Limited

Notes to the Financial Statements For the Period Ended 28 March 2021

13. Debtors

	28 March 2021 £	29 March 2020 £
Due after more than one year		
Intercompany loans	<u>5,960,679</u>	<u>5,980,679</u>
	28 March 2021 £	29 March 2020 £
Due within one year		
Trade debtors	1,379	59,338
Amounts owed by group undertakings	103,278	30,545
Other debtors	31,879	24,994
Prepayments and accrued income	39,506	19,268
Deferred taxation (see note 18)	275,203	123,705
	<u>451,245</u>	<u>257,850</u>

The intercompany loans are interest free and are repayable on a rolling 366 day basis. The loans are carried at amortised cost using an imputed interest rate of 4%.

The impairment loss in respect of trade debtors recognised in profit or loss for the period in respect of bad and doubtful trade debtors was £271 (2020: £5,070).

14. Cash and cash equivalents

	28 March 2021 £	29 March 2020 £
Cash at bank and in hand	<u>176,303</u>	<u>762,516</u>

Fanhams Hall Hotel Limited

Notes to the Financial Statements For the Period Ended 28 March 2021

15. Creditors: Amounts falling due within one year

	28 March 2021 £	29 March 2020 £
Bank loans	-	110,000
Trade creditors	16,220	106,857
Amounts owed to group undertakings	394,584	168,904
Corporation tax	-	9,617
Other taxation and social security	111,626	122,606
Obligations under finance lease and hire purchase contracts	8,835	12,255
Other creditors	87,735	106,853
Accruals and deferred income	915,072	810,200
	<u>1,534,072</u>	<u>1,447,292</u>

Fanhams Hall Hotel Limited

Notes to the Financial Statements For the Period Ended 28 March 2021

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

	28 March 2021 £	29 March 2020 £
Bank loans	1,707,500	1,593,155
Intercompany loans	4,588,731	4,608,731
	<u>6,296,231</u>	<u>6,201,886</u>

Secured loans

The Company's loans were refinanced in March 2022 - see note 22.

The original bank loan was repayable in quarterly instalments commencing June 2018. A repayment holiday with the bank has been obtained in light of COVID-19 which means that no further capital repayments are due until 31 March 2022, at which date the full amount becomes due for repayment or refinancing.

The bank loan is one tranche of an overall loan to Fanhams Hall Hotel Limited, Royal Berkshire Hotel Limited and South Lodge Limited, fellow group companies, with a total balance at the period end of £19.7 million (2020: £17.7 million).

Through an interest rate swap £7 million of the total loan balance bears interest at SONIA plus a margin of between 2.6% and 3.3%, depending on the margin charged by the lender which varies with the financial performance of the entity. The remainder of the loan bears interest at SONIA plus a margin of 1.875% to 2.5%.

The 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 group companies: Fanhams Hall Hotel Limited, Royal Berkshire Hotel Limited and South Lodge Limited.

The intercompany loans are interest free and are repayable on a rolling 366 day basis. The loans are carried at amortised cost using an imputed interest rate of 4%.

Fanhams Hall Hotel Limited

Notes to the Financial Statements For the Period Ended 28 March 2021

17. Loans

Analysis of the maturity of loans is given below:

	28 March 2021 £	29 March 2020 £
Amounts falling due within one year		
Bank loans	-	110,000
Amounts falling due 1-2 years		
Bank loans	1,707,500	1,593,155
	<u>1,707,500</u>	<u>1,703,155</u>

The Company's loans were refinanced in March 2022 - see note 22.

18. Deferred taxation

	2021 £
At beginning of period	123,705
Charged to profit or loss	151,498
At end of period	<u><u>275,203</u></u>

The deferred tax asset is made up as follows:

	28 March 2021 £	29 March 2020 £
Fixed asset timing differences	114,408	123,705
Tax losses carried forward	<u>160,795</u>	<u>-</u>

19. Share capital

	28 March 2021 £	29 March 2020 £
Allotted, called up and fully paid		
2,000,000 ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>

Fanhams Hall Hotel Limited

Notes to the Financial Statements For the Period Ended 28 March 2021

20. Reserves

The company has the following reserves:

Profit & loss account

The profit and loss account represents cumulative profits and losses net of dividends paid and other adjustments.

21. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £15,015 (2020: £24,390). Contributions totalling £2,625 (2020: £3,619) were payable to the fund at the statement of financial position date and are included in other creditors.

22. Post balance sheet events

In March 2022 the group secured a new banking facility of £35 million to replace all existing bank loans. Of this amount £24.4 million is not due for repayment until the facility termination date, five years from utilisation and £5.6 million will be repaid in quarterly instalments from June 2023. The remainder of the facility comprises a £5 million revolving facility ultimately repayable on termination.

The £24.4 million facility is split evenly between Pennyhill Park Limited and South Lodge Limited, two fellow subsidiaries. The £5.6 million facility relates to Pennyhill Park Limited and the £5 million revolver facility to South Lodge Limited.

23. Controlling party

The ultimate parent company and controlling party is The Manor House Hotel (Castle Combe) Limited, a company registered in England and Wales. This is also the largest and smallest group in which the results of the company are consolidated. Copies of the group financial statements of The Manor House Hotel (Castle Combe) Limited are available from Executive Office, Pennyhill Park Hotel & Spa, London Road, Bagshot, Surrey GU19 5EU.

Mr G Pecorelli and his family control 100% of the issued share capital of The Manor House (Castle Combe) Limited.