

**Bailbrook House Hotel (No 2)
Limited**

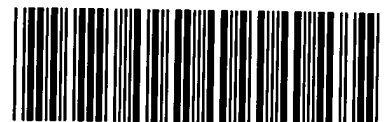
Report and Financial Statements

Period Ended

29 December 2022

Company Number 07900152

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Bailbrook House Hotel (No 2) Limited

Company Information

Directors	D Waddell P Herbert
Company secretary	Vistra Company Secretaries Limited
Registered number	07900152
Registered office	The Old Library The Drive Sevenoaks Kent TN13 3AB
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Bailbrook House Hotel (No 2) Limited

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Bailbrook House Hotel (No 2) Limited

Directors' Report For the Period Ended 29 December 2022

The directors present their report and the financial statements for the 52 week period ended 29 December 2022 (period ended 30 December 2021: 57 week period).

Principal activities

The company's principal activity during the period was the operation of the Bailbrook House Hotel, an asset under operating lease from the company's immediate parent company.

Review of business, key performance indicators and future developments

The results for the period and financial position of the company are as shown in the annexed financial statements.

The hotel turnover has increased by 13% to £2,456k (period ended 30 December 2021: £2,174k), operating loss was £982k compared to a loss of £764k in 2021.

Rooms performance showed an increase of 10.3% in occupancy for the period and an increase of £8.80 in revpar (revenue per available room).

Results and dividends

The loss for the period, after taxation, amounted to £982k (period ended 30 December 2021: £764k).

No dividends were paid during the period ended 29 December 2022 (period ended 30 December 2021: £Nil).

Principal risks and uncertainties

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

- financial and operational impact of the coronavirus epidemic;
- ongoing economic conditions such as recession, currency volatility, inflationary pressures on supply chain, utility prices, and human capital, Brexit, the ongoing conflict in Ukraine, and other macroeconomic factors;
- leisure and conferencing buying patterns;
- changes to government regulations including legislation on employees, environmental and health and safety; and
- natural disasters.

The directors take a regular review of the company's exposure to these risks.

Financial instruments

The company is exposed to the usual credit risk and cash flow movement involved with selling on credit and manages this through the company credit policy. The policy is to finance working capital through retained earnings and finance fixed assets through both earnings and short term, non-interest bearing loans from its ultimate parent undertaking.

The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of the group or company's financial position or result.

Directors

The following persons served as directors during the period:

D Waddell
P Herbert (appointed 21 October 2022)
H O'Connor (resigned 21 October 2022)

Bailbrook House Hotel (No 2) Limited

Directors' Report (continued) For the Period Ended 29 December 2022

Directors' responsibilities

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 period. 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 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 judgements 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

The company and group, and wider Hand Picked Hotels Limited group, have been negatively impacted by Coronavirus during 2020-22, and more recently impacted by high inflation, rising interest rates and other economic factors impacting on consumer spending and costs, including wages, utilities, food and beverage. These have been and continue to be closely monitored and responded to by the company and group directors. Further information in this regard is provided in Note 1 to these financial statements, including the basis on which the board has concluded that it remains appropriate to adopt the going concern basis of preparation.

Provision of information to auditor

Each person who was a director at the time when this report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company'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's auditor in connection with preparing their report and to establish that the company's auditor is aware of that information.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

Bailbrook House Hotel (No 2) Limited

Directors' Report (continued) For the Period Ended 29 December 2022

This report was approved by the board on 27 September 2023 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'P Herbert', written over a horizontal line.

P Herbert
Director

Bailbrook House Hotel (No 2) Limited

Independent Auditor's Report to the Members of Bailbrook House Hotel (No 2) 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 29 December 2022 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 Bailbrook House Hotel (No 2) Limited (the 'company') for the period ended 29 December 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the 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.

Material uncertainty related to going concern

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

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

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

Bailbrook House Hotel (No 2) Limited

Independent Auditor's Report to the Members of Bailbrook House Hotel (No 2) Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' 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 Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Bailbrook House Hotel (No 2) Limited

Independent Auditor's Report to the Members of Bailbrook House Hotel (No 2) 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, United Kingdom Generally Accepted Accounting Practice and relevant tax legislation.
- We considered compliance with these laws and regulations through discussions with management and those charged with governance.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. We identified the potential for in the following areas and performed the following procedures:
 - management override of controls: we evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates and judgements. Audit procedures performed included:
 - challenging assumptions made by management in their significant accounting estimates;
 - identifying and testing journal entries, in particular any journal entries to revenue which are not in line with expectations and reviewing journal entries for journals inconsistent with the usual transactions of the company.
 - revenue recognition: existence of revenue, application of cut off at, and measurement of accrued income to, the period-end. We reconciled annual revenue to cash receipts, reviewed transactions pre and post period end to check that the associated revenue is reflected in the correct period.
- We identified areas at risk of management bias and reviewed key estimates and judgements applied by Management in the financial statements to assess their appropriateness; and
- We remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

Bailbrook House Hotel (No 2) Limited

Independent Auditor's Report to the Members of Bailbrook House Hotel (No 2) 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:

Ian Clayden

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Ian Clayden (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

Date: 27 September 2023

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

Bailbrook House Hotel (No 2) Limited

Statement of Comprehensive Income For the Period Ended 29 December 2022

	Note	Period ended 29 December 2022 £	Period ended 30 December 2021 £
Turnover	3	2,455,580	2,174,432
Cost of sales		(526,737)	(507,948)
Gross profit		1,928,843	1,666,484
Administrative expenses		(2,917,205)	(2,562,604)
Other operating income	4	6,000	132,219
Operating loss	5	(982,362)	(763,901)
Loss on ordinary activities before taxation		(982,362)	(763,901)
Tax on loss on ordinary activities	7	-	-
Loss for the period		(982,362)	(763,901)
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		(982,362)	(763,901)

All amounts relate to continuing operations.

The notes on pages 11 to 21 form part of these financial statements.

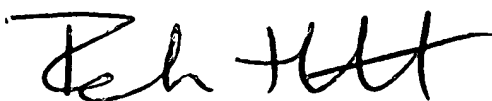
Bailbrook House Hotel (No 2) Limited

Registered number: 07900152

Statement of Financial Position As at 29 December 2022

		29 December 2022 £	30 December 2021 £
	Note		
Current assets			
Stocks	8	27,354	30,281
Debtors	9	91,388	141,942
Cash and cash equivalents		909,415	231,163
		<u>1,028,157</u>	<u>403,386</u>
Creditors: amounts falling due within one year	10	(7,978,507)	(6,371,374)
Net current liabilities		<u>(6,950,350)</u>	<u>(5,967,988)</u>
Net liabilities		<u>(6,950,350)</u>	<u>(5,967,988)</u>
Capital and reserves			
Share capital	11	1	1
Profit and loss account	12	(6,950,351)	(5,967,989)
Total shareholders' deficit		<u>(6,950,350)</u>	<u>(5,967,988)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 September 2023.


P Herbert
Director

The notes on pages 11 to 21 form part of these financial statements.

Bailbrook House Hotel (No 2) Limited

Statement of Changes in Equity For the Period Ended 29 December 2022

	Share capital £	Profit and loss account £	Total equity £
At 26 November 2020	1	(5,204,088)	(5,204,087)
Loss for the period	-	(763,901)	(763,901)
At 30 December 2021	1	(5,967,989)	(5,967,988)
Loss for the period	-	(982,362)	(982,362)
At 29 December 2022	1	(6,950,351)	(6,950,350)

The notes on pages 11 to 21 form part of these financial statements.

Bailbrook House Hotel (No 2) Limited

Notes to the Financial Statements For the Period Ended 29 December 2022

1. Accounting policies

General information

Bailbrook House Hotel (No 2) Limited is a private limited company 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 its principal activities are set out in the Directors' Report.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006.

The current period financial statements are prepared on a 52 week period (period ended 30 December 2021: 57 week period).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied consistently throughout the preceding and current periods.

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 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Bailbrook House Hotel Limited as at 29 December 2022 and these financial statements may be obtained from Companies House.

Bailbrook House Hotel (No 2) Limited

Notes to the Financial Statements For the Period Ended 29 December 2022

1. Accounting policies (continued)

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report.

The company meets its day to day working capital requirements through use of operating cash flows and loans provided by other members of the Hand Picked Hotels Holdings (Guernsey) Limited group or ultimate its shareholders.

As at 29 December 2022, the company reported net liabilities of £6,950,350 (30 December 2021: £5,967,988). In assessing the appropriateness of the going concern assumption, the directors have prepared detailed cash flow forecasts for the company extending beyond 12 months from the date of approval of these financial statements. However, as a hotel operator, it is acknowledged that the global and UK outbreak of COVID-19 has had a profound impact on the business and will continue to do so for some time. Additionally, the UK economy including the leisure and hospitality sector has been subject to increased volatility with regard to supply chain inflation, wage inflation, utility costs, and the related impacts on consumer disposable income and spending. These factors heighten the inherent uncertainty in forecasting the ongoing performance within the hotels sector and therefore the company and its subsidiary alike, albeit the board acknowledges that trading conditions are widely to remain challenging in the short term and this continues to have an impact on the company's and group's forecasts.

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

In order to mitigate COVID-19 impacts on revenue since the UK became impacted by the pandemic, and in order to protect the longer term interests of the company and its employees, the company and wider group has taken measures to reduce and mitigate its cost base. However, in September 2022, the group board announced increases in pay rates for its employees in order to support its workforce during a high inflationary period. Naturally as a significant employer, this will have a material impact on the company's and group's cost base and this has been incorporated into these forecasts. To the extent necessary, shareholders have also provided additional funds in order to meet working capital requirements during the period when the group was not trading.

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

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

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

Bailbrook House Hotel (No 2) Limited

Notes to the Financial Statements For the Period Ended 29 December 2022

1. Accounting policies (continued)

Turnover

Turnover represents amounts receivable for accommodation, food and beverage sales and ancillary hotel services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover is recognised at the point at which goods and services are delivered to the customer. Deposits which have been received at the statement of financial position date for which services have not yet been provided are shown as payments in advance within creditors. All turnover arose within the United Kingdom.

Stocks

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

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

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans and other financial assets are initially recognised at transaction price including any transaction costs and subsequently measured at amortised cost determined using the effective interest method, less any impairment.

Creditors

Short term creditors are measured at the transaction price. Loans and other financial liabilities are initially recognised at transaction price net of any transaction costs and subsequently measured at amortised cost determined using the effective interest method.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

Bailbrook House Hotel (No 2) Limited

Notes to the Financial Statements For the Period Ended 29 December 2022

1. Accounting policies (continued)

Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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.

Government grants

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

Related party transactions

The company has taken advantage of the exemption under paragraph 33.1A of the Financial Reporting Standard 102 not to disclose transactions with other wholly owned members of the group.

Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

Pensions

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 the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

Financial instruments

Bailbrook House Hotel (No 2) Limited

Notes to the Financial Statements For the Period Ended 29 December 2022

1. Accounting policies (continued)

Financial instruments (continued)

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

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

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the 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. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgement:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

3. Turnover

All turnover arose within the United Kingdom and from hotel operations.

Bailbrook House Hotel (No 2) Limited

Notes to the Financial Statements For the Period Ended 29 December 2022

4. Other operating income

	Period ended 29 December 2022 £	Period ended 30 December 2021 £
Furlough grant income	-	90,294
Other council grants received	6,000	41,925
	<u>6,000</u>	<u>132,219</u>

5. Operating loss

This is stated after charging:

	Period ended 29 December 2022 £	Period ended 30 December 2021 £
Operating lease rentals - plant and machinery	1,602	2,081
Operating lease rentals - land buildings	75,000	75,000
Auditor's remuneration for audit services	5,892	7,050
	<u>82,494</u>	<u>84,131</u>

6. Staff costs

	Period ended 29 December 2022 £	Period ended 30 December 2021 £
Wages and salaries	1,380,109	1,211,980
Social security costs	116,793	104,887
Other pension costs	38,548	41,202
	<u>1,535,450</u>	<u>1,358,069</u>
Agency staff	159,874	120,846
	<u>1,695,324</u>	<u>1,478,915</u>

None of the directors received any remuneration for the period (period ended 30 December 2021: £Nil).

Bailbrook House Hotel (No 2) Limited

Notes to the Financial Statements For the Period Ended 29 December 2022

6. Staff costs (continued)

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

	Period ended 29 December 2022 No.	Period ended 30 December 2021 No.
Hotel operations	39	38
Administration	5	5
	<u>44</u>	<u>43</u>

7. Taxation

	Period ended 29 December 2022 £	Period ended 30 December 2021 £
Current tax		
UK corporation tax at 19% (period ended 30 December 2021: 19%)	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Tax on loss on ordinary activities	<u>-</u>	<u>-</u>

Bailbrook House Hotel (No 2) Limited

Notes to the Financial Statements For the Period Ended 29 December 2022

7. Taxation (continued)

Reconciliation of tax charge

	Period ended 29 December 2022 £	Period ended 30 December 2021 £
Loss on ordinary activities before tax	(982,362)	(763,901)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (period ended 30 December 2021: 19%)	(186,649)	(145,141)
Effects of:		
Expenses not deductible for tax purposes	19	109
Transfer price adjustments	(119,320)	(119,320)
Deferred tax not recognised	(1,092)	534,743
Difference in tax rates	262	(270,391)
Group relief surrendered	306,780	-
Current tax charge for period	-	-

The company has an unrecognised deferred tax asset of £1,035,005 (30 December 2021: £869,327) in respect of short term timing differences and trading losses carried forward.

Factors that may affect future tax charges

The substantively enacted tax rate remained at 19% as at the Statement of Financial Position date.

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

The Government included the above changes in the Finance Bill 2022 that had its third reading on 24 May 2021 and is now considered substantively enacted.

8. Stocks

	29 December 2022 £	30 December 2021 £
Goods for resale	27,354	30,281

Bailbrook House Hotel (No 2) Limited

Notes to the Financial Statements For the Period Ended 29 December 2022

9. Debtors

	29 December 2022 £	30 December 2021 £
Trade debtors	60,625	40,530
Other debtors	-	28,852
Prepayments and accrued income	30,763	72,560
	<u>91,388</u>	<u>141,942</u>

10. Creditors: amounts falling due within one year

	29 December 2022 £	30 December 2021 £
Payments in advance	107,189	87,353
Trade creditors	81,186	111,561
Amounts due to immediate parent company	1,679,749	1,811,050
Amounts due to a parent company of the group (1)	5,220,000	4,050,000
Amounts due to related undertakings	581,338	118,660
Other taxes and social security costs	101,882	36,577
Other creditors	26,992	20,569
Accruals	180,171	135,604
	<u>7,978,507</u>	<u>6,371,374</u>

During the year ended 29 December 2022, the company received interest free, repayable on demand loans of £1,170,000 (2021: £850,000).

(1) All loans are interest-free, unsecured and repayable on demand.

11. Share capital

	29 December 2022 £	30 December 2021 £
Allotted, called up and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

Bailbrook House Hotel (No 2) Limited

Notes to the Financial Statements For the Period Ended 29 December 2022

12. Reserves

Profit and loss account

This is cumulative profits or losses, net of dividends paid and other adjustments.

13. Defined contribution pension plans

The company operates a defined contributions 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 £38,548 (period ended 30 December 2021: £41,202). Contributions payable to the fund at the period end included in creditors totalled £5,941 (30 December 2021: £7,385).

14. Commitments under operating leases

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

	Land and buildings 2022 £	Land and buildings 2021 £
Falling due:		
Within one year	75,000	75,000
	Other 2022 £	Other 2021 £
Falling due:		
Within one year	1,664	1,561
1 to 5 years	5,827	-
	7,491	1,561

15. Related party transactions

Within creditors is included an amount of £581,338 (30 December 2021: £118,660) which is due to entities under common control. This arises predominantly from management charges and service fees for the period ending 29 December 2022 of £294,670 (30 December 2021: £260,932). The amount due to the parent company of, Bailbrook House Hotel Limited, Hand Picked Hotels Holdings (Guernsey) Limited, is £5,220,000 (30 December 2021: £4,050,000).

Bailbrook House Hotel (No 2) Limited

Notes to the Financial Statements For the Period Ended 29 December 2022

16. Ultimate parent company and controlling party

The company's immediate parent undertaking is Bailbrook House Hotel Limited. The largest and smallest group in whose financial statements the results of the company will be consolidated is Bailbrook House Hotel Limited. The consolidated financial statements of Bailbrook House Hotel Limited will be available to the public and will be obtainable in due course from the Registrar of Companies, Companies House, Crown Way, Cardiff.

The ultimate parent company is Julian Holdings Limited, and the ultimate controlling party is Mr G Hands.

Julian Holdings Limited is a company incorporated in Guernsey, whose registered office address is PO Box 286, Floor 2 Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY.