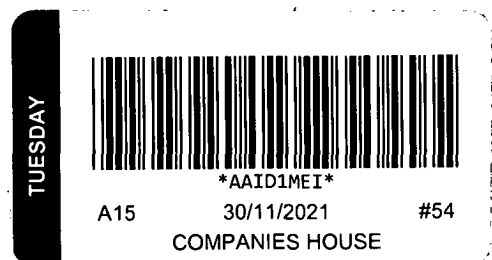


Registered number
08595845

Lupfaw 374 Limited
Report and Financial Statements
26 November 2020



Lupfaw 374 Limited
Company Information

Directors

H O'Connor
D Waddell

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Registered office

The Old Library
The Drive
Sevenoaks
Kent
TN13 3AB

Registered number

08595845

Lupfaw 374 Limited
Report and Financial Statements
Contents

	Page
Strategic Report	1
Directors' Report	2 - 3
Independent Auditors' Report	4 - 6
Consolidated Statement of Comprehensive Income	7
Consolidated and Company Statements of Financial Position	8
Consolidated and Company Statements of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Financial Statements	11 - 22

Lupfaw 374 Limited
Strategic Report
for the period ended 26 November 2020

The directors present their strategic report for the period ended 26 November 2020.

Business review

The results for the period and financial position are as shown in the annexed financial statements. The directors are optimistic as to the future success of the group.

The hotel turnover decreased by 61.5% for the period to £1,330k (2019: £3,464k) and the operating loss was £3,482k (2019: £1,323k). During the period the company and group recognised an impairment charge of £1,972k over the tangible fixed assets. The downturn in performance is due to the temporary closure of the hotel as a result of the COVID-19 pandemic.

Rooms performance showed a decrease of 37.2% in occupancy and a decrease of £29.68 in revpar (revenue per available room) for the period.

Despite the challenging times as a result of COVID-19, and its negative impact on the economy especially within the hospitality industry, the directors still remain optimistic as to the future success of the company.

Principal risks and uncertainties

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

- financial and operational impact of the coronavirus pandemic;
- economic recession;
- changes to government regulations including legislation on employees, environmental and health and safety;
- natural disasters.

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

Expansion for the future

We are maintaining our investment in constantly upgrading and improving our existing bedroom stock.

Environment

The hotel operates in a beautiful location and it is in our best interests to minimise the impact upon the environment, particularly by energy saving initiatives within the hotel.

Personnel

We clearly understand that our employees are the most valuable asset in the group. We continue to invest in training and skills development programmes. We intend to continue our philosophy and invest in our staff. The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

This report was approved on behalf of the board and signed on 29 November 2021



H O'Connor
Director

Lupfaw 374 Limited
Registered number:
Directors' Report

08595845

The directors present their report and the financial statements for the 52 week period ended 26 November 2020 (2019: 52 week period).

Principal activity

The company's only activity during the period was the continued investment in its subsidiary company.

Results and dividends

The loss before tax for the period was £3,482k (2019: £1,323k).

No dividends were paid during the current or previous period.

Going concern

The global and UK outbreak of coronavirus during the period, and its impact on the Company, has been and continues to be closely reviewed by the Board of Directors. Further information in this regard is provided in Note 1 to these financial statements, including the basis on which the board have concluded that it remains appropriate to adopt the going concern basis of preparation.

Directors

The following persons served as directors during the period :

K Arkley (resigned on 2 July 2021)

S Fairs (resigned on 1 April 2021)

Subsequent to the period end, the following directors were appointed :

D Waddell (appointed on 1 April 2021)

H O'Connor (appointed on 2 July 2021)

Directors' responsibilities

The directors are responsible for preparing the Group Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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.

Lupfaw 374 Limited
Registered number:
Directors' Report

08595845

Provision of information to auditor

Each person who was a director at the time when this report was 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;
- the 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 was approved by the board on 29 November 2021 and signed on its behalf.



H O'Connor
Director

Lupfaw 374 Limited
Independent Auditor's Report
to the members of Lupfaw 374 Limited

Opinion

We have audited the financial statements of Lupfaw 374 Limited (the 'Company') and its subsidiary (the "Group") for the period ended 26 November 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and company's affairs as at 26 November 2020 and of the group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to Note 1 to the financial statements, which explains that the Company remains 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 and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter – carrying value of tangible fixed assets

We draw attention to Note 2 to the financial statements, which explains that as a result of the impact of the Novel Coronavirus (COVID-19) on the market, the Company's directors have advised that less certainty, and a higher degree of caution, should be attached to their assessment of carrying value of tangible fixed assets than would normally be the case. Our opinion is not modified in respect of this matter.

Lupfaw 374 Limited
Independent Auditor's Report
to the members of Lupfaw 374 Limited

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. The directors are responsible for the other information. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 Directors' 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

Lupfaw 374 Limited
Independent Auditor's Report
to the members of Lupfaw 374 Limited

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.

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

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: 30 November 2021

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

Lupfaw 374 Limited
Consolidated Statement of Comprehensive Income
for the period ended 26 November 2020

	Notes	Period ended 26 November 2020 £	Period ended 28 November 2019 £
Turnover		1,330,329	3,464,011
Cost of sales		(343,914)	(887,087)
Gross profit		<u>986,415</u>	<u>2,576,924</u>
Administrative expenses		(2,853,718)	(3,899,757)
Other operating income - furlough grant income		357,050	-
Impairment charge of fixed assets		(1,971,644)	-
Operating loss	3	<u>(3,481,897)</u>	<u>(1,322,833)</u>
Tax on loss on ordinary activities	5	-	-
Loss for the period		<u>(3,481,897)</u>	<u>(1,322,833)</u>
Other comprehensive income for the period		-	-
Total comprehensive loss for the periods		<u>(3,481,897)</u>	<u>(1,322,833)</u>

All amounts relate to continuing operations.

The notes on pages 11 to 22 form part of these financial statements.

Lupfaw 374 Limited
Consolidated and Company Statements of Financial Position
as at 26 November 2020

	Notes	26 November 2020		28 November 2019	
		Group	Company	Group	Company
		£	£	£	£
Fixed assets					
Tangible assets	6	11,800,000	-	14,152,689	-
Investments	7	-	6,545,747	-	8,055,969
		<u>11,800,000</u>	<u>6,545,747</u>	<u>14,152,689</u>	<u>8,055,969</u>
Current assets					
Stocks	8	18,149	-	25,525	-
Debtors	9	201,636	1	182,128	1
Cash and cash equivalents		<u>263,314</u>	<u>65</u>	<u>1,118,524</u>	<u>96</u>
		483,099	66	1,326,177	97
Creditors: amounts falling due within one year	10	(7,709,034)	(104)	(7,422,904)	(104)
Net current liabilities		<u>(7,225,935)</u>	<u>(38)</u>	<u>(6,096,727)</u>	<u>(7)</u>
Net assets		<u>4,574,065</u>	<u>6,545,709</u>	<u>8,055,962</u>	<u>8,055,962</u>
Capital and reserves					
Called up share capital	11	12,209,530	12,209,530	12,209,530	12,209,530
Profit and loss account	12	(7,635,465)	(5,663,821)	(4,153,568)	(4,153,568)
Total equity		<u>4,574,065</u>	<u>6,545,709</u>	<u>8,055,962</u>	<u>8,055,962</u>

No profit and loss account is presented for Lupfaw 374 Limited as permitted by section 408 of the Companies Act 2006. The company loss for the period ending 26 November 2020 is £1,510,253 (2019: £1,322,833).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 November 2021



H O'Connor
Director

The notes on pages 11 to 22 form part of these financial statements.

Lupfaw 374 Limited
Consolidated and Company Statements of Changes in Equity
for the period ended 26 November 2020

Group	Share capital £	Profit and loss account £	Total equity £
At 30 November 2018	12,209,530	(2,830,735)	9,378,795
Loss for the period	-	(1,322,833)	(1,322,833)
At 29 November 2019	<u>12,209,530</u>	<u>(4,153,568)</u>	<u>8,055,962</u>
Loss for the period	-	(3,481,897)	(3,481,897)
At 26 November 2020	<u>12,209,530</u>	<u>(7,635,465)</u>	<u>4,574,065</u>

Company	Share capital £	Profit and loss account £	Total equity £
At 30 November 2018	12,209,530	(2,830,735)	9,378,795
Loss for the period	-	(1,322,833)	(1,322,833)
At 28 November 2019	<u>12,209,530</u>	<u>(4,153,568)</u>	<u>8,055,962</u>
Loss for the period	-	(1,510,253)	(1,510,253)
At 26 November 2020	<u>12,209,530</u>	<u>(5,663,821)</u>	<u>6,545,709</u>

The notes on pages 11 to 22 form part of these financial statements.

Lupfaw 374 Limited
Consolidated Statement of Cash Flows
for the period ended 26 November 2020

	Notes	2020 £	2019 £
Cash flows from operating activities			
Loss for the financial period		(3,481,897)	(1,322,833)
Adjustments for:			
Depreciation		641,777	444,556
Decrease in stocks		7,376	13,730
(Increase)/decrease in debtors		(19,508)	40,380
(Decrease)/increase in creditors		(213,870)	22,872
Impairment charge on tangible fixed assets		1,971,644	-
Net cash (used in)/generated by operating activities		<u>(1,094,478)</u>	<u>(801,295)</u>
Cash flows from investing activities			
Payments to acquire tangible fixed assets		(260,732)	(4,248,224)
Net cash used in investing activities		<u>(260,732)</u>	<u>(4,248,224)</u>
Cash flows from financing activities			
Proceeds from new loans		500,000	4,200,000
Net cash generated by financing activities		<u>500,000</u>	<u>4,200,000</u>
Net increase/(decrease) in cash and cash equivalents		(855,210)	(849,519)
Cash and cash equivalents at beginning of the period		<u>1,118,524</u>	<u>1,147,768</u>
Cash and cash equivalents at the end of the period		<u>263,314</u>	<u>1,118,524</u>
Cash and cash equivalents comprise:			
Cash at bank		<u>263,314</u>	<u>1,118,524</u>

The notes on pages 11 to 22 form part of these financial statements.

Lupfaw 374 Limited
Notes to the Financial Statements
for the period ended 26 November 2020

1 Accounting policies

General information

Lupfaw 374 Limited is a private limited company incorporated in England & 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 Strategic Report and 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 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 group and company's accounting policies (see note 2).

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

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No statement of cash flows has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and;
- No disclosures have been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

Going concern

The company's and groups' business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors report on pages 2 and 3 of these financial statements.

The Group meets its day-to-day working capital requirements through use of its cash and facilities provided by its wider group headed by Hand Picked Hotels Holdings (Guernsey) Limited, for which the Board has requested and received confirmation of intended ongoing parent company support.

As at 26 November 2020, the Group reported net assets of £4,574k (2019: £8,056k). The Company had no external non-related party borrowings (including overdraft facilities) and this remains the case. 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 may continue to do so. Projecting how the UK economy emerges from Covid-19 restrictions, and the level of demand for UK hotels remains challenging and this continues to have an impact on the Company's forecasts.

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

Lupfaw 374 Limited
Notes to the Financial Statements
for the period ended 26 November 2020

Accounting policies (continued)

Going concern (continued)

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. 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 shareholder loans in the form of non-recall and further funds as required, and as such remains reliant on their ongoing support. The directors of the Company have received 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.

Insofar 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.

Basis of consolidation

The group financial statements consolidate the financial statements of Lupfaw 374 Limited and its subsidiary from the date of acquisition, up to the date of disposal, for the period ended 26 November 2020.

No profit and loss account is presented for Lupfaw 374 Limited as permitted by section 408 of the Companies Act 2006. The company generated a loss of £1,510k for the period (2019: loss of £1,323k).

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 balance sheet date for which services have not yet been provided are shown as payments in advance within creditors. All turnover arose within the United Kingdom.

Lupfaw 374 Limited
Notes to the Financial Statements
for the period ended 26 November 2020

Accounting policies (continued)

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 profit or loss in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme ('Furlough'). The group has not directly benefited from any other forms of government assistance.

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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.

Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method, as follows:

Freehold buildings core	50 years
Freehold buildings surface finishes and services	20 years
Fixtures and fittings	4 to 25 years

Freehold land is not depreciated.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, 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 the statement of comprehensive income.

Lupfaw 374 Limited
Notes to the Financial Statements
for the period ended 26 November 2020

Accounting policies (continued)

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 balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

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 change 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 country where the company operates and generates taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- 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.

Operating leases

Rentals received under operating leases are credited to the statement of comprehensive income on a straight line basis over the period of the lease.

Lupfaw 374 Limited
Notes to the Financial Statements
for the period ended 26 November 2020

Accounting policies (continued)

Pensions

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group 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

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 group 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.

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.

Investment property

Investment property whose fair value can be measured reliably without undue cost and effort shall be measured at fair value at each reporting date with changes in fair value recognised in profit or loss. All other investment property is accounted for as property, plant and equipment using the cost model.

Lupfaw 374 Limited
Notes to the Financial Statements
for the period ended 26 November 2020

2 Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the group 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.
- Determine whether there are indicators of impairment of the company's fixed assets. Factors taken into consideration in reaching such decisions include the economic viability and expected future financial performance of the assets and, where it is a component of a larger cash generating unit, the viability and expected future performance of that unit. An impairment charge of £1,971,644 (2019: £nil) has been recorded against the tangible fixed assets of the group. The directors have based their assessment of the carrying value of the of the tangible fixed assets on their expected value in use from future trading, along with reference to previous valuations bases and, where relevant, third party offers received at times close to the financial year end. In particular, greater judgement has been exercised regarding the anticipated occupancy rates of hotel assets, average daily room rates, and F&B spend and margins achievable in the short and medium term. The directors note that COVID-19 has presented an unprecedented set of circumstances across the globe and given the unknown future impacts of the pandemic on the real-estate market, there is a higher level of judgement, and hence less certainty, attached to the values of assets held on the balance sheet at the balance sheet date. Given this inherent uncertainty, the carrying value of the group's hotel assets is subject to material change and should be kept under regular review. In concluding that there was not impairment as at the year end, the directors acknowledge and have considered the impacts of sensitivities to their value in use assumptions.

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 6)

Tangible fixed assets 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 a number of factors. In re-assessing asset lives, factors such as technological innovation, 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.

3 Operating loss

	2020 £	2019 £
This is stated after charging:		
Depreciation of owned fixed assets	641,777	444,556
Operating lease rentals - plant and machinery	1,817	1,817
Impairment of tangible fixed assets	1,971,644	-
Auditor's remuneration for audit services	4,360	4,680

Lupfaw 374 Limited
Notes to the Financial Statements
for the period ended 26 November 2020

4 Staff costs	2020	2019
	£	£
Wages and salaries	1,290,333	1,458,669
Social security costs	82,188	105,717
Other pension costs	39,229	40,748
	<u>1,411,750</u>	<u>1,605,134</u>
Agency staff	29,334	350,906
	<u>1,441,084</u>	<u>1,956,040</u>

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

	Number	Number
Hotel operations	41	39
Administration	6	7
	<u>47</u>	<u>46</u>

None of the directors received any remuneration for the period (2019: £nil).

5 Taxation	2020	2019
	£	£
Current tax		
UK corporation tax at 19% (2019: 19%)	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	<u>-</u>	<u>-</u>

Factors affecting tax charge for period

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

Loss on ordinary activities before tax	<u>(3,481,897)</u>	<u>(1,322,833)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax of 19% (2019: 19%)	(661,560)	(251,338)
Effects of:		
Expenses not deductible for corporation tax purposes	464,002	60,881
Group relief surrendered	-	166,873
Deferred tax not recognised	202,002	21,102
Difference in tax rates	(4,444)	2,482
	<u>-</u>	<u>-</u>
Total tax charge for period	<u>-</u>	<u>-</u>

Lupfaw 374 Limited
Notes to the Financial Statements
for the period ended 26 November 2020

6. Tangible fixed assets

Group	Freehold Land and buildings £	Fixtures & Fittings £	Total £
Cost			
At 29 November 2019	9,083,111	5,810,526	14,893,637
Additions	21,277	239,455	260,732
Disposals	-	(65,969)	(65,969)
At 26 November 2020	<u>9,104,388</u>	<u>5,984,012</u>	<u>15,088,400</u>
Depreciation			
At 29 November 2019	180,752	560,196	740,948
Charge for the period	60,683	581,094	641,777
Impairment charge	1,971,644	-	1,971,644
Disposals	-	(65,969)	(65,969)
At 26 November 2020	<u>2,213,079</u>	<u>1,075,321</u>	<u>3,288,400</u>
Carrying amount			
At 26 November 2020	<u>6,891,309</u>	<u>4,908,691</u>	<u>11,800,000</u>
At 28 November 2019	<u>8,902,359</u>	<u>5,250,330</u>	<u>14,152,689</u>

Included in freehold land and buildings is freehold land of £3,853,000 which is not depreciated (2019: £3,853,000).

During the period the company recognised an impairment charge of £1,972k (2019: nil) against the tangible fixed assets. The directors have based their assessment as at the balance sheet date on reviewing the carrying value of assets, in light of the covid-19 pandemic and against their expected value in use from future trading. The latest independent third party red book valuation was also taken into consideration, resulting in the charge of £1,972k in the profit and loss account.

The company did not hold ownership of any tangible fixed assets during the current or previous period.

Lupfaw 374 Limited
Notes to the Financial Statements
for the period ended 26 November 2020

7 Fixed asset Investments

Company only	Investments in subsidiary undertakings £
Cost	
At 28 November 2019 and at 26 November 2020	12,209,531
Impairment	
Provision as at 28 November 2019	4,153,562
Charge for the period	<u>1,510,222</u>
Provision as at 26 November 2020	<u>5,663,784</u>
Net book value	
At 26 November 2020	<u>6,545,747</u>
At 28 November 2019	<u>8,055,969</u>

The company has an investment in the following wholly owned subsidiary:

Company	Country of incorporation	Shares held Class	%
Stanbrook Abbey Hotel Limited	England and Wales	Ordinary	100

8 Stocks	2020 £	2019 £
Group		
Goods for resale	<u>18,149</u>	<u>25,525</u>
Company		
Goods for resale	<u>-</u>	<u>-</u>
9 Debtors	2020 £	2019 £
Group		
Trade debtors	55,182	141,492
Amounts owed by group undertakings	1	1
Other debtors	118,527	20,640
Prepayments and accrued income	<u>27,926</u>	<u>19,995</u>
	<u>201,636</u>	<u>182,128</u>
Company		
Amounts due from related undertakings	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>

Lupfaw 374 Limited
Notes to the Financial Statements
for the period ended 26 November 2020

10 Creditors: amounts falling due within one year	2020	2019
	£	£
Group		
Payments in advance	726,364	665,129
Trade creditors	58,101	100,958
Other taxes and social security costs	18,958	57,459
Amounts due to parent company (1)	6,700,000	6,200,000
Amounts due to related undertakings	80,192	151,679
Other creditors	73,242	104,016
Accruals	52,177	143,663
	<u>7,709,034</u>	<u>7,422,904</u>

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

Company		
Amounts due to related undertakings	104	104
	<u>104</u>	<u>104</u>

11 Share capital	2020	2019	2020	2019
	Number	Number	£	£
Allotted, called up and fully paid:				
Ordinary shares of £1 each	12,209,530	12,209,530	<u>12,209,530</u>	<u>12,209,530</u>

12 Reserves

Profit & loss account

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

13 Defined contribution pension plans

The group 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 group to the fund and amounted to £39,229 (2019: £40,748). Contributions payable to the fund at the year end included in creditors for the group totalled £10,000 (2019: £7,228).

14 Capital commitments

	Group	Group
	2020	2019
	£	£
Amounts contracted for but not provided in the accounts	<u>40,150</u>	<u>162,193</u>

At the period end the group had entered into construction contracts with unrelated parties for an amount of £40k, for various improvement works.

Lupfaw 374 Limited
Notes to the Financial Statements
for the period ended 26 November 2020

15 Commitments under operating leases

At 26 November 2020 the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group Other 2020 £	Group Other 2019 £
Falling due:		
within one year	1,817	1,817
within two to five years	1,515	3,332
	<u>3,332</u>	<u>5,149</u>

The company had no operating lease commitments in the current or previous period.

16 Financial Instruments

The Group's financial instruments may be analysed as follows:

	2020 £	2019 £
Financial assets		
Financial assets measured at amortised cost	<u>437,024</u>	<u>1,280,657</u>
	<u>437,024</u>	<u>1,280,657</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(6,963,712)</u>	<u>(6,700,316)</u>
	<u>(6,963,712)</u>	<u>(6,700,316)</u>

Financial assets measured at amortised cost comprise trade and other debtors, amounts owed by related undertakings, accrued income and cash.

Financial liabilities measured at amortised cost comprise trade and other creditors, amounts due to immediate parent undertaking and relating undertakings, and accruals.

17 Related party transactions

Included within creditors, amounts falling due within one year, as at 26 November 2020 are other loan creditors of £6,700k (2019: £6,200k) owed to Hand Picked Hotels Holdings (Guernsey) Limited, the company's parent undertaking. Also within creditors is included an amount of £80,192 (2019: £151,679) which is due to Hand Picked Hotels Limited and its subsidiaries, entities under common control. This arises from management charges and service fees for the period of £172,651 (2019: £629,748), plus amounts charged by Hand Picked Hotels Limited subsidiaries for other purposes.

Lupfaw 374 Limited
Notes to the Financial Statements
for the period ended 26 November 2020

18 Ultimate parent company and controlling party

The company's immediate parent is Hand Picked Hotels Holdings (Guernsey) Limited, a company incorporated in Guernsey, whose registered office address is 1st and 2nd Floors Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey, GY1 1EW.

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.