

The Hoxton (Shoreditch) Limited

Report and Financial Statements

Year Ended

31 December 2017

Company Number 03850699

WEDNESDAY



L7BXKOC3

LD2

08/08/2018

#103

COMPANIES HOUSE

The Hoxton (Shoreditch) Limited

Company Information

Directors	S Kapasi S Pasricha L G Young (appointed 15 June 2018)
Registered number	03850699
Registered office	4th Floor 159 St. John Street London EC1V 4QJ
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

The Hoxton (Shoreditch) Limited

Contents

	Page
Strategic Report	1 - 2
Directors' Report	3 - 4
Independent Auditor's Report	5 - 7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 - 24

The Hoxton (Shoreditch) Limited

Strategic Report For the Year Ended 31 December 2017

The directors present their strategic report together with the financial statements for the year ended 31 December 2017.

Principal activities

The principal activity of the company during the year was the operation of a hotel in London trading as "The Hoxton Shoreditch". The hotel comprises 210 bedrooms, seven meeting rooms and one restaurant.

Business environment

The local competitive environment continues to evolve. The local area has seen increases in both bedroom stock and in demand from the corporate and leisure segments. The directors are confident about the competitive position of the hotel in this changing marketplace.

Strategy

The company has benefited from the continued execution of the company strategy, offering an individual hotel, inspired by the local neighbourhood. The communal areas of the hotel underwent an extensive refurbishment during January 2017. Whilst this reduced the availability of rooms during this time, the resulting uplift in interest in and occupancy of the hotel was noticed. The hotel offers unique experiences, value for money, inviting spaces beyond the guest rooms and is constantly evolving with the area in which it is based and the offerings it makes available.

Given the continued success, the same strategy will be followed in the coming year, with ongoing focus on developing new ideas and concepts in order to remain competitive.

Research and development

Market intelligence provides data about the local market to benchmark pricing decisions. An awareness of local hospitality and office developments, and planning applications for proposed developments, continues to be key to the directors' understanding of how trading may be affected by changes in the competitive environment.

Future outlook

The business will continue its day to day focus on managing the hotel successfully in order to maximise yield.

Principal risks and uncertainties

The directors have assessed the main risk facing the group as being the occurrence of shocks to the European and American economies, particularly the travel sector, that could lead to lower occupancy from corporate customers as well as lower weekend bookings by leisure customers.

Key performance indicators

The measurements used to assess progress against revenue objectives are average rate and Revenue Per Available Room (RevPAR), a function of occupancy and average rate. In 2017, the average rate and RevPAR showed positive growth over the prior year.

The Hoxton (Shoreditch) Limited

Strategic Report (continued) For the Year Ended 31 December 2017

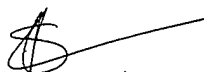
Financial instruments

The company finances its operations through shareholder loans and external bank financing.

The management team's objectives are to retain sufficient liquid funds to enable the company to meet its day to day obligations as they fall due whilst minimising cost of capital and maximising returns on surplus funds.

As all the company's funds are invested in sterling bank deposit accounts and its borrowings are all obtained in sterling there is no currency exchange risk exposure.

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



.....
S Pasricha
Director

Date: 01/08/2018

The Hoxton (Shoreditch) Limited

Directors' Report For the Year Ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Results and dividends

The statement of comprehensive income is set out on page 8 and shows the profit for the year

The profit for the year, after taxation, amounted to £4,042,604 (2016 - £4,318,907).

Particulars of dividends paid are detailed in note 11 to the financial statements.

Directors

The directors who served during the year were:

J C van de Vreede (resigned 1 June 2018)

C H B Oakshett (resigned 27 April 2018)

S Kapasi

S Pasricha

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless satisfied that they 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;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Hoxton (Shoreditch) Limited

Directors' Report (continued) For the Year Ended 31 December 2017

Disclosure of information to auditor

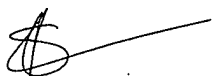
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director 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 and signed on its behalf.



.....
S Pasricha
Director

Date: 01/08/2018

The Hoxton (Shoreditch) Limited

Independent Auditor's Report to the Members of The Hoxton (Shoreditch) Limited

Opinion

We have audited the financial statements of The Hoxton (Shoreditch) Limited for the year ended 31 December 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity 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 company's affairs as at 31 December 2017 and of its profit for the year 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.

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

The Hoxton (Shoreditch) Limited

Independent Auditor's Report to the Members of The Hoxton (Shoreditch) Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

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 directors' report and strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report and strategic 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 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 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 directors' responsibilities section, 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 determines 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.

The Hoxton (Shoreditch) Limited

Independent Auditor's Report to the Members of The Hoxton (Shoreditch) 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.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://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.



Mark RA Edwards (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

Date: 7/08/2018

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

The Hoxton (Shoreditch) Limited

Statement of Comprehensive Income For the Year Ended 31 December 2017

	Note	2017 £	2016 £
Turnover	4	13,083,318	13,089,299
Cost of sales		(2,711,202)	(2,767,681)
Gross profit		10,372,116	10,321,618
Administrative expenses		(5,459,280)	(5,147,943)
Operating profit	5	4,912,836	5,173,675
Interest receivable and similar income	8	1,373,154	1,831,003
Interest payable and similar charges	9	(1,236,300)	(1,570,787)
Profit before tax		5,049,690	5,433,891
Tax on profit	10	(1,007,086)	(1,114,984)
Profit for the year		4,042,604	4,318,907
Other comprehensive income for the year		-	-
Total comprehensive income for the year		4,042,604	4,318,907

All amounts relate to continuing operations.

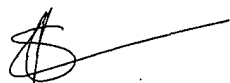
The notes on pages 11 to 24 form part of these financial statements.

The Hoxton (Shoreditch) Limited
Registered number: 03850699

Statement of Financial Position
As at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	12	15,188,280	13,586,797
Investments	13	2	2
		<u>15,188,282</u>	<u>13,586,799</u>
Current assets			
Stocks	14	24,088	23,508
Debtors: amounts falling due within one year	15	921,338	795,654
Debtors: amounts falling due after more than one year	15	-	48,246,422
Cash at bank and in hand		341,508	378,103
		<u>1,286,934</u>	<u>49,443,687</u>
Creditors: amounts falling due within one year	16	(9,573,191)	(2,740,022)
Net current (liabilities)/assets		<u>(8,286,257)</u>	<u>46,703,665</u>
Total assets less current liabilities		<u>6,902,025</u>	<u>60,290,464</u>
Creditors: amounts falling due after more than one year	17	-	(54,886,129)
Provisions for liabilities			
Deferred tax		(1,041,741)	(836,655)
Net assets		<u><u>5,860,284</u></u>	<u><u>4,567,680</u></u>
Capital and reserves			
Share capital	19	10,650	10,650
Retained earnings	20	5,849,634	4,557,030
		<u><u>5,860,284</u></u>	<u><u>4,567,680</u></u>

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



.....
S Pasricha
Director

Date: 01/08/2018

The notes on pages 11 to 24 form part of these financial statements.

The Hoxton (Shoreditch) Limited

Statement of Changes in Equity For the Year Ended 31 December 2017

	Share capital £	Retained earnings £	Total equity £
At 1 January 2017	10,650	4,557,030	4,567,680
Profit for the year	-	4,042,604	4,042,604
Total comprehensive income for the year	-	4,042,604	4,042,604
Dividends	-	(2,750,000)	(2,750,000)
At 31 December 2017	10,650	5,849,634	5,860,284

Statement of Changes in Equity For the Year Ended 31 December 2016

	Share capital £	Retained earnings £	Total equity £
At 1 January 2016	10,010	3,238,123	3,248,133
Profit for the year	-	4,318,907	4,318,907
Total comprehensive income for the year	-	4,318,907	4,318,907
Dividends	-	(3,000,000)	(3,000,000)
Shares issued during the year	640	-	640
At 31 December 2016	10,650	4,557,030	4,567,680

The notes on pages 11 to 24 form part of these financial statements.

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

1. General information

The Hoxton (Shoreditch) Limited is a private company, limited by shares, 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 set out in the strategic 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 judgment in applying the company's accounting policies (see note 3).

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 4 Statement of Financial Position paragraph 4.12(a)(iv);
- 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 11.41(b), 11.41(c), 11.41(e), 11.41(f), 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;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Norlake Hospitality Limited as at 31 December 2017 and these financial statements may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

2. Accounting policies (continued)

2.3 Going concern

Included in the current liabilities, is a loan from Newco NHL UK (17) Limited of £7,380,424 (2016 - £Nil). Norlake Hospitality Limited (the parent company of Newco NHL UK (17) Limited) has agreed to provide support to the company to meet its obligations as and when they fall due for a period of at least twelve months from the date of approval of these financial statements. As a result of the company's net asset position the directors are confident that the company will continue to be able to meet its liabilities as they fall due. The directors have prepared detailed cash flow projections that show the company has sufficient funds to enable it to continue to trade for a period not less than one year from the date of approval of these financial statements. Accordingly, these financial statements have been prepared on the going concern basis.

2.4 Revenue

The turnover shown in the statement of comprehensive income represents amounts receivable during the period, exclusive of Value Added Tax. The company has derived its turnover from the operation of a hotel in London. Room revenue is the main source of turnover for the company which is recognised over the period the rooms are occupied. Other income is recognised when services are rendered and an invoice is raised to the customer.

2.5 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.

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. The estimated useful lives range as follows:

Long-term leasehold property	- 50 years
Plant and machinery	- 15 years
Fixtures and fittings	- 10 years
Office equipment	- 3 years

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.7 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 represents the purchase price of goods for resale.

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

2. Accounting policies (continued)

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, 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 reporting 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.

2.9 Borrowings

Borrowings are carried at transaction price (including transaction costs) and are subsequently held at amortised cost.

2.10 Finance costs

Finance costs, which comprise issue costs, are allocated over the period of the borrowings to achieve a constant rate on the carrying amount.

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

2. Accounting policies (continued)

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.12 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.

2.13 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.

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.15 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 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.

2.16 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is 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.

2.17 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.18 Borrowing costs

All borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

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

In preparing these financial statements, the directors have had to make the following judgements:

- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such 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.

Other key sources of estimation uncertainty:

- **Tangible fixed assets (see note 12)**
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 the 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.

4. Analysis of turnover

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	686,360	681,726
Operating lease rentals	719,583	719,911
Defined contribution pension cost	8,573	3,919

During the year, no director received any emoluments (2016 - £Nil). All directors' emoluments are borne by another group company.

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

6. Auditor's remuneration

	2017 £	2016 £
Fees payable to the company's auditor for the audit of the company's annual accounts	11,750	11,500

Non audit fees are disclosed in the consolidated financial statements of the parent company, Norlake Hospitality Limited.

7. Employees

Staff costs were as follows:

	2017 £	2016 £
Wages and salaries	1,072,333	1,005,327
Social security costs	102,803	92,551
Cost of defined contribution scheme	8,573	3,919
	<u>1,183,709</u>	<u>1,101,797</u>

The average number of employees during the year was as follows:

	2017 No.	2016 No.
Administrative staff	31	33
Management staff	4	4
	<u>35</u>	<u>37</u>

8. Interest receivable

	2017 £	2016 £
Interest receivable on loans to group undertakings	1,373,154	1,831,003

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

9. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	1,162,300	1,570,787
Interest payable on loans from group undertakings	74,000	-
	<u>1,236,300</u>	<u>1,570,787</u>

10. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	82,426	1,153,245
Adjustments in respect of previous periods	(27,025)	-
Group taxation relief payable	746,599	-
Total current tax	<u>802,000</u>	<u>1,153,245</u>
Deferred tax		
Origination and reversal of timing differences	182,326	10,466
Adjustments in respect of prior periods	22,760	(128)
Effect of tax rate change on opening balance	-	(48,599)
Total deferred tax	<u>205,086</u>	<u>(38,261)</u>
Taxation on profit on ordinary activities	<u>1,007,086</u>	<u>1,114,984</u>

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	5,049,690	5,433,891
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	972,065	1,086,778
Effects of:		
Fixed asset differences	53,713	63,791
Expenses not deductible for tax purposes	9,720	14,988
Adjustments to tax charge in respect of prior periods	(27,025)	(128)
Adjustments to tax charge in respect of prior periods - deferred tax	22,760	-
Adjustment to deferred tax due to change in rates	(24,147)	(50,445)
Total tax charge for the year	1,007,086	1,114,984

Factors that may affect future tax charges

The main rate of UK corporation tax will decrease from 19% to 17% from 1 April 2020 as substantively enacted on 6 September 2016. As this change has been substantively enacted before the reporting date, deferred tax has been recognised at 17% as at 31 December 2017. For further information on deferred tax balances see note 18.

11. Dividends

	2017 £	2016 £
Interim dividends on equity shares paid during the year of £27.18 (2016 - £29.65) per share.	2,750,000	3,000,000

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

12. Tangible fixed assets

	Long leasehold property £	Plant and machinery £	Fixtures and fittings £	Equipment £	Total £
Cost or valuation					
At 1 January 2017	13,951,233	1,261,850	3,327,394	483,513	19,023,990
Additions	1,874,740	6,138	381,919	25,046	2,287,843
Disposals	-	-	(19,928)	-	(19,928)
At 31 December 2017	15,825,973	1,267,988	3,689,385	508,559	21,291,905
Depreciation					
At 1 January 2017	2,592,085	854,584	1,538,053	452,471	5,437,193
Charge for the year	311,420	84,511	267,970	22,459	686,360
Disposals	-	-	(19,928)	-	(19,928)
At 31 December 2017	2,903,505	939,095	1,786,095	474,930	6,103,625
Net book value					
At 31 December 2017	12,922,468	328,893	1,903,290	33,629	15,188,280
At 31 December 2016	11,359,148	407,266	1,789,341	31,042	13,586,797

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

13. Investments

	Investments in subsidiary companies £
Cost	
At 1 January 2017 and at 31 December 2017	2
Net book value	
At 31 December 2016 and at 31 December 2017	2

The company owns 100% of the issued share capital of WS Hotels Properties (Shoreditch) Limited which is incorporated in England and Wales and the address of the registered office is 4th Floor, 159 St John Street, London, EC1V 4QJ. The company is dormant.

14. Stocks

	2017 £	2016 £
Consumables stores	24,088	23,508

Stock recognised in cost of sales during the year as an expense was £336,504 (2016 - £370,780).

15. Debtors

	2017 £	2016 £
Due after more than one year		
Amounts owed by group undertakings	-	48,246,422
Due within one year		
Trade debtors	606,863	260,452
Other debtors	104,309	359,922
Prepayments and accrued income	210,166	175,280
	921,338	795,654

See note 21 for details of repayment of amounts owed by group undertakings during the year.

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

16. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	431,422	394,800
Amounts owed to group undertakings	7,380,424	-
Corporation tax	267,000	765,756
Taxation and social security	386,606	194,280
Other creditors	51,904	5,288
Accruals and deferred income	789,669	1,164,722
Amounts owed to related parties	266,166	215,176
	<u>9,573,191</u>	<u>2,740,022</u>

See note 21 for details of amounts owed to group undertakings.

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

	2017 £	2016 £
Bank loans (net of arrangement fees)	-	54,886,129

Secured loans

The prior year bank loan was secured by a fixed and floating charge over the property, assets and undertakings of the company.

In September 2017, the company's immediate parent company Newco NHL UK (17) Limited entered into a new loan facility to which the company is a guarantor and which is secured by a fixed and floating charge over the property, assets and undertakings of the company and its sister companies, The Hoxton (Holborn) Limited and The Hoxton (Amsterdam) BV. As a result of this Norlake Hospitality Limited repaid its debtor balance in full and Newco NHL UK (17) Limited loaned £7,380,424 to the company to enable it to repay its external bank loan.

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

18. Deferred taxation

	2017 £	2016 £
At beginning of year	(836,655)	(874,916)
Charged to the statement of comprehensive income	(205,086)	38,261
At end of year	(1,041,741)	(836,655)

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	(1,042,972)	(837,076)
Short term timing differences	1,231	421
	(1,041,741)	(836,655)

19. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
101,175 A ordinary shares of £0.10 each	10,118	10,118
5,325 B ordinary shares of £0.10 each	532	532
	10,650	10,650

As at 31 December 2017, 100% of the A Ordinary shares representing 95% of the ordinary share capital is held by Newco NHL UK (17) Limited. The remaining 5% of the ordinary share capital is represented by B Ordinary shares issued to a related party. The B shares hold voting rights equivalent to 5% of the voting capital, but do not carry dividend rights. The rights of the B shares are further set out in the Articles of Association of the company available from Companies House.

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

20. Reserves

Retained earnings

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

21. Related party transactions

On 26 September 2017, Newco NHL UK (17) Limited became the immediate parent company of The Hoxton (Shoreditch) Limited by acquiring the controlling interest from Norlake Hospitality Limited. At this date £47,619,576 due to the company from Norlake Hospitality Limited was novated to Newco NHL UK (17) Limited. On 26 September 2017, Newco NHL UK (17) Limited paid the company £47,619,576 for settlement of the loan owed to company. In addition to this, Newco NHL UK (17) Limited further advanced £7,380,424 to The Hoxton (Shoreditch) Limited. At 31 December 2017, the company owed Newco NHL UK (17) Limited £7,380,424 (2016 - £Nil). This amount is included within amounts owed to group undertakings due within one year. Interest of £74,000 was charged on this balance during the year (2016 - £Nil). This amount was paid in full as at 31 December 2017. Also, the company paid dividends amounting to £1,500,000 up to Newco NHL UK (17) Limited (2016 - £Nil).

At 31 December 2017, the company was due £Nil (2016 - £48,246,422) by Norlake Hospitality Limited, the parent company of Newco NHL UK (17) Limited. This amount was included within amounts owed by group undertakings due after more than one year at 31 December 2016. Interest of £1,373,154 was earned on this balance during the year (2016 - £1,831,003). Norlake Hospitality Limited further charged the company £66,900 during the year in respect of expense recharges (2016 - £92,040). This amount was paid in full as at 31 December 2017. The company paid dividends amounting to £1,250,000 up to Norlake Hospitality Limited during the year (2016 - £3,000,000).

The company is related to Ennismore International Management Limited (Ennismore) by virtue of the fact that Ennismore is controlled by a director of the company. During the year, Ennismore charged the company £1,304,839 (2016 - £1,347,681) in respect of management and other services and £789,735 (2016 - £566,808) in respect of expense recharges. At 31 December 2017, the company owed £266,166 to Ennismore (2016 - £215,176).

22. Capital commitments

At 31 December 2017 the company had capital commitments as follows:

	2017 £	2016 £
Contracted for but not provided in these financial statements	12,060	1,734,630

The capital commitments are in relation to refurbishment work undertaken at the hotel.

23. Pension commitments

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 £8,573 (2016 - £3,919). Contributions totalling £7,240 (2016 - £2,480) were payable to the fund at the reporting date.

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

24. Commitments under operating leases

At 31 December 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	554,512	500,000
Later than 1 year and not later than 5 years	2,218,048	2,000,000
Later than 5 years	46,024,496	41,834,018
	<u>48,797,056</u>	<u>44,334,018</u>

The company has an annual commitment to pay the higher of 5.5% of gross turnover, or the amount stated above.

25. Controlling party

The company is an immediate subsidiary undertaking of Newco NHL UK (17) Limited, a company registered in England and Wales. The ultimate parent company is Bharti Overseas Private Limited. In the opinion of the directors there is no single ultimate controlling party.

The largest group in which the results of the company are consolidated is that headed by Norlake Hospitality Limited, a company registered in England and Wales. The smallest group in which the results of the company are consolidated is that headed by Newco NHL UK (17) Limited.

The consolidated accounts of Newco NHL UK (17) Limited and Norlake Hospitality Limited are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.