

The Hoxton (Shoreditch) Limited

Report and Financial Statements

Year Ended

31 December 2018

Company Number 03850699

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The Hoxton (Shoreditch) Limited

Company Information

Directors	S Pasricha L G Young
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

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The Hoxton (Shoreditch) Limited

Strategic Report for the Year Ended 31 December 2018

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2018.

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.

In the year ended 31 December 2018, turnover increased by £1,064,399 to £14,147,717, with operating profit also increasing by £392,679 to £5,305,515.

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 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. The refurbishment of the communal areas in 2017 helped underpin a strong growth in revenue in 2018.

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, including the development of a rooftop bar opening in late 2019.

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 2018, RevPAR showed positive growth over the prior year, and average rate remained stable.

The Hoxton (Shoreditch) Limited

Strategic Report (continued) for the Year Ended 31 December 2018

Financial instruments

The company finances its operations through shareholder loans. External bank financing has been obtained by the company's parent, Newco NHL UK (17) Limited, 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, its subsidiary and its sister companies.

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.



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S Pasricha
Director

Date: 14 May 2019

The Hoxton (Shoreditch) Limited

Directors' Report for the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

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 £3,996,866 (2017 - £4,042,604).

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 (resigned 30 November 2018)
S Pasricha
L G Young (appointed 15 June 2018)

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 2018

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.



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S Pasricha
Director

Date: 14 May 2019

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 ("the company") for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the 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 company's affairs as at 31 December 2018 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.

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.

The Hoxton (Shoreditch) Limited

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

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

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: 15/5/2019

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 2018

	Note	2018 £	2017 £
Turnover	4	14,147,717	13,083,318
Cost of sales		(2,945,811)	(2,711,202)
Gross profit		11,201,906	10,372,116
Administrative expenses		(5,896,391)	(5,459,280)
Operating profit	5	5,305,515	4,912,836
Interest receivable and similar income	8	-	1,373,154
Interest payable and similar charges	9	(304,878)	(1,236,300)
Profit before tax		5,000,637	5,049,690
Tax on profit	10	(1,003,771)	(1,007,086)
Profit for the year		3,996,866	4,042,604
Other comprehensive income for the year		-	-
Total comprehensive income for the year		3,996,866	4,042,604

All amounts relate to continuing operations.

The notes on pages 12 to 25 form part of these financial statements.

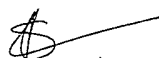
The Hoxton (Shoreditch) Limited

Registered number: 03850699

Statement of Financial Position As at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	12	14,827,726	15,188,280
Investments	13	2	2
		<u>14,827,728</u>	<u>15,188,282</u>
Current assets			
Stocks	14	46,354	24,088
Debtors: amounts falling due within one year	15	851,302	921,338
Cash at bank and in hand		1,373,272	341,508
		<u>2,270,928</u>	<u>1,286,934</u>
Creditors: amounts falling due within one year	16	(10,692,595)	(9,573,191)
Net current liabilities		<u>(8,421,667)</u>	<u>(8,286,257)</u>
Total assets less current liabilities		<u>6,406,061</u>	<u>6,902,025</u>
Provisions for liabilities			
Deferred tax	17	(1,048,911)	(1,041,741)
Net assets		<u><u>5,357,150</u></u>	<u><u>5,860,284</u></u>
Capital and reserves			
Share capital	18	10,650	10,650
Retained earnings	19	5,346,500	5,849,634
		<u><u>5,357,150</u></u>	<u><u>5,860,284</u></u>

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



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S Pasricha
Director

Date: 14 May 2019

The notes on pages 12 to 25 form part of these financial statements.

The Hoxton (Shoreditch) Limited

Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital £	Retained earnings £	Total equity £
At 1 January 2018	10,650	5,849,634	5,860,284
Profit for the year	-	3,996,866	3,996,866
Total comprehensive income for the year	-	3,996,866	3,996,866
Dividends	-	(4,500,000)	(4,500,000)
At 31 December 2017	10,650	5,346,500	5,357,150

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 2016	10,650	5,849,634	5,860,284

The notes on pages 12 to 25 form part of these financial statements.

The Hoxton (Shoreditch) Limited

Statement of Cash Flows for the Year Ended 31 December 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Profit for the financial year		3,996,866	4,042,604
Adjustments for:			
Depreciation of tangible assets	12	721,586	686,360
Interest paid	9	304,878	1,236,300
Interest received	8	-	(1,373,154)
Taxation charge	10	1,003,771	1,007,086
Increase in stocks		(22,266)	(580)
Decrease/(increase) in debtors		152,695	(125,684)
Increase/(decrease) in creditors		217,934	(524,455)
Corporation tax paid		(484,000)	(854,658)
Net cash generated from operating activities		5,891,464	4,093,819
Cash flows from investing activities			
Purchase of tangible fixed assets		(564,483)	(2,084,391)
Interest received		-	1,373,154
Net cash from investing activities		(564,483)	(711,237)
Cash flows from financing activities			
Drawdown of loans from group undertakings		500,000	7,380,424
Repayment of loans by group undertakings		-	48,246,422
Repayment of bank loans		-	(55,000,000)
Dividends paid	11	(4,500,000)	(2,750,000)
Interest paid		(295,217)	(1,296,023)
Net cash used in financing activities		(4,295,217)	(3,419,177)
Net increase/(decrease) in cash and cash equivalents		1,031,764	(36,595)
Cash and cash equivalents at beginning of year		341,508	378,103
Cash and cash equivalents at the end of year		1,373,272	341,508

The notes on pages 12 to 25 form part of these financial statements.

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

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 judgement in applying the company 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 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 2018 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 2018

2. Accounting policies (continued)

2.3 Going concern

At the reporting date, the company had net current liabilities of £8,421,667 (2017 - £8,268,257). As well as operating a trading hotel, the company is currently intending to undertake a development project at this hotel which would require funding from its indirect parent company, Norlake Hospitality Limited (the parent company of Newco NHL UK (17) Limited). The directors have received confirmation from the parent group that support will be provided 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. On this basis, the directors have concluded it is appropriate to prepare the financial statements on a going concern basis.

2.4 Turnover

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.

Depreciation is provided on the following basis:

Freehold property	- Nil
Long-term leasehold property	- 50 years
Plant and machinery	- 15 years
Fixtures and fittings	- 10 years
Office equipment	- 3 years
Assets under construction	- Nil

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

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

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 2018

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 Debtors

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

2.10 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.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

2.11 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.

2.12 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.

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2. Accounting policies (continued)

2.13 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.

2.14 Interest income

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

2.15 Finance Costs

Interest payable is recognised in the statement of comprehensive income on an accruals basis.

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

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:

	2018 £	2017 £
Depreciation of tangible fixed assets	721,586	686,360
Operating lease rentals	778,124	719,583
Defined contribution pension cost	16,630	8,573

During the year, no director received any emoluments (2017 - £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 2018

6. Auditor's remuneration

	2018 £	2017 £
Fees payable to the company's auditor for the audit of the company's annual accounts	13,200	11,750

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

7. Employees

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	1,150,143	1,072,333
Social security costs	108,785	102,803
Cost of defined contribution scheme	16,630	8,573
	<u>1,275,558</u>	<u>1,183,709</u>

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

	2018 No.	2017 No.
Administrative staff	35	31
Management staff	5	4
	<u>40</u>	<u>35</u>

8. Interest receivable

	2018 £	2017 £
Interest receivable on loans to group undertakings	-	1,373,154

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

9. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	-	1,162,300
Interest payable on loans from group undertakings	304,878	74,000
	<u>304,878</u>	<u>1,236,300</u>

10. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	-	82,426
Adjustments in respect of previous periods	(12,804)	(27,025)
Group taxation relief	1,009,405	746,599
Total current tax	<u>996,601</u>	<u>802,000</u>
Deferred tax		
Origination and reversal of timing differences	(2,902)	182,326
Adjustments in respect of prior periods	10,072	22,760
Total deferred tax	<u>7,170</u>	<u>205,086</u>
Taxation on profit on ordinary activities	<u>1,003,771</u>	<u>1,007,086</u>

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19.00% (2017 -19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	5,000,637	5,049,690
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 -19.25%)	950,121	972,065
Effects of:		
Fixed asset differences	56,041	53,713
Expenses not deductible for tax purposes	-	9,720
Group relief claimed	(1,009,405)	-
Payment for group relief	1,009,405	-
Adjustments to tax charge in respect of prior periods	(12,804)	(27,025)
Adjustments to tax charge in respect of prior periods - deferred tax	10,072	22,760
Adjustments to deferred tax due to change in rates	341	(24,147)
Total tax charge for the year	1,003,771	1,007,086

Factors that may affect future tax charges

The main rate of UK corporation tax will decrease from 19% to 17% from 1 April 2020. Deferred tax has been recognised at 17% as at 31 December 2018 and 31 December 2017. For further information on deferred tax balances see note 17.

11. Dividends

	2018 £	2017 £
A ordinary		
Interim dividends on equity shares paid during the year of £44.48 (2017 - £27.18) per share.	4,500,000	2,750,000

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

12. Tangible fixed assets

	Long leasehold property £	Plant and machinery £	Fixtures and fittings £	Office equipment £	Assets under construction £	Total £
Cost or valuation						
At 1 January 2018	15,825,973	1,267,988	3,689,385	508,559	-	21,291,905
Additions	99,243	-	40,762	40,770	180,257	361,032
At 31 December 2018	15,925,216	1,267,988	3,730,147	549,329	180,257	21,652,937
Depreciation						
At 1 January 2018	2,903,505	939,095	1,786,095	474,930	-	6,103,625
Charge for the year	318,969	84,676	285,190	32,751	-	721,586
At 31 December 2018	3,222,474	1,023,771	2,071,285	507,681	-	6,825,211
Net book value						
At 31 December 2018	12,702,742	244,217	1,658,862	41,648	180,257	14,827,726
At 31 December 2017	12,922,468	328,893	1,903,290	33,629	-	15,188,280

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

13. Investments

	Investments in subsidiary companies £
Cost	
At 1 January 2017 and at 31 December 2018	2
	<hr/>
Net book value	
At 31 December 2017 and at 31 December 2018	2
	<hr/> <hr/>

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

	2018 £	2017 £
Consumables stores	46,354	24,088
	<hr/> <hr/>	<hr/> <hr/>

Stock recognised in cost of sales during the year as an expense was £363,061 (2017 - £336,504).

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

15. Debtors

	2018 £	2017 £
Trade debtors	290,194	606,863
Other debtors	85,866	104,309
Prepayments and accrued income	392,586	210,166
Corporation tax receivable	82,656	-
	<u>851,302</u>	<u>921,338</u>

16. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	218,942	431,422
Amounts owed to group undertakings (note 20)	7,881,085	7,380,424
Other amounts owed to group undertakings (note 20)	869,531	267,000
Other taxation and social security	446,526	386,606
Other creditors	27,184	51,904
Accruals and deferred income	887,725	789,669
Amounts owed to related parties (note 20)	361,602	266,166
	<u>10,692,595</u>	<u>9,573,191</u>

Amounts owed to group undertakings are interest bearing at a fixed interest rate of 4%, are unsecured and fall due within one year.

Other amounts owed to group undertakings relate to group relief payments and intragroup recharges. These balances are non-interest bearing and are repayable on demand.

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

17. Deferred taxation

	2018 £	2017 £
At beginning of year	(1,041,741)	(836,655)
Charged to the statement of comprehensive income	(7,170)	(205,086)
At end of year	(1,048,911)	(1,041,741)

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(1,053,505)	(1,042,972)
Short term timing differences	4,594	1,231
	(1,048,911)	(1,041,741)

18. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
101,175 A ordinary shares of £0.10 each	10,118	10,118
5,324 B ordinary shares of £0.10 each	532	532
	10,650	10,650

As at 31 December 2018, 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 2018

19. Reserves

Retained earnings

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

20. Related party transactions

At 31 December 2018, the company owed its parent company, Newco NHL UK (17) Limited £7,881,085 (2017 - £7,380,424). This amount is included within amounts owed to group undertakings due within one year. Interest of £304,878 was charged on this balance during the year (2017 - £74,000). Also, the company paid dividends amounting to £4,500,000 up to Newco NHL UK (17) Limited (2017 - £1,500,000).

Norlake Hospitality Limited, the parent company of Newco NHL UK (17 Limited), charged the company £11,100 during the year in respect of expense recharges (2017 - £66,900). These amounts were paid in full at both year ends. In addition, in 2017, interest of £1,373,154 was received on amounts owed by Norlake Hospitality Limited. This amount was paid in full as at 31 December 2017.

At 31 December 2018, the company owed Norlake Hospitality Limited £862,256 in respect of group relief payments (2017 - £267,000). At 31 December 2018, the company owed £7,381 to other subsidiaries of the Norlake Hospitality group (2017 - £Nil). These amounts are included in other amounts owed to group undertakings.

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 £1,433,261 (2017 - £1,304,839) in respect of management and other services and £754,943 (2017 - £789,735) in respect of expense recharges. At 31 December 2018, the company owed £361,602 to Ennismore (2017 - £266,166).

21. Capital commitments

At 31 December 2018 the company had capital commitments as follows:

	2018 £	2017 £
Contracted for but not provided in these financial statements	-	12,060

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

22. 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 £16,630 (2017 - £8,573). Contributions totalling £19,783 (2017 - £7,240) were payable to the fund at the reporting date.

The Hoxton (Shoreditch) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

23. Commitments under operating leases

At 31 December 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	554,512	554,512
Later than 1 year and not later than 5 years	2,218,048	2,218,048
Later than 5 years	45,469,984	46,024,496
	<u>48,242,544</u>	<u>48,797,056</u>

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

24. Contingent liabilities

The company is a guarantor to a £181.3m (2017 - £114.1m) bank loan facility taken out by the immediate parent company, Newco NHL UK (17) Limited. The available loan facility was fully drawn down at both year ends.

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 Bharti Overseas Private Limited, a company incorporated in India. Copies of the Bharti Overseas Private Limited consolidated accounts are available to the public and may be obtained from the Ministry of Corporate Affairs, India. The smallest group in which the results are consolidated is that headed by Newco NHL UK (17) Limited, a company registered in England and Wales. The consolidated accounts of Newco NHL UK (17) Limited are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.