

Company registration number: 04594353

ANNUAL REPORT AND FINANCIAL
STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2019

CROWN GOLF GROUP
LIMITED



MENZIES

BRIGHTER THINKING

CROWN GOLF GROUP LIMITED

COMPANY INFORMATION

Directors S Sugden (resigned 18 December 2018)
S Towers
J Chapman
G Toomey (resigned 15 February 2019)
D Fulcher (appointed 18 December 2018)

Registered number 04594353

Registered office Pine Ridge Golf Club
Old Bisley Road
Frimley
Camberley
Surrey
GU16 9NX

Independent auditors Menzies LLP
Victoria House
50-58 Victoria Road
Farnborough
Hampshire
GU14 7PG

CROWN GOLF GROUP LIMITED

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CROWN GOLF GROUP LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2019

The Directors present their strategic report on the group and company for the year ended 30 June 2019.

Business review

Crown Golf Group Limited is the parent company of the Crown Golf group. Crown Golf is one of Europe's largest golf club owners and operators. The Directors believe the group has an outstanding portfolio of clubs in its estate providing some of the best golf in the country. Crown Golf is committed to upholding the great traditions of golf whilst striving to provide an innovative and welcoming experience for our members and visitors.

2019 saw the group continue to work hard to provide its customers with the best experience at our clubs whilst striving to improve shareholder value.

During the year, the group set out a plan to de-risk itself by selling some of the trading assets in order to pay down the group term debt. The initial stages of this plan were completed in the year, which saw the group exit from three courses. This generated a profit on disposal of £1,203k and helped improve the liquidity of the group, which has returned to net current assets of £2,044k.

Going concern

The July 2019 to June 2020 financial year has been one of extreme challenge for the golf industry as a whole, with a prolonged wet winter, off the back of a weak late Summer in 2019, subsequently followed by a government shutdown of all trading as a result of the Coronavirus pandemic.

Despite these headwinds Crown Golf group made significant strategic progress throughout the 2019/20 financial year, which included the further sales of some significant assets no longer considered core to the operation, the proceeds of which were used to reduce term debt from its original position two years ago of £19.5m to £2.2m by December 2019.

The group also exchanged contracts on the sale of a number of challenging leasehold assets in its portfolio that will see a like for like net improvement to the normalised group EBITDA of c. £0.5m (based on FY2019 management accounts), whilst reducing the debt burden and ongoing capital requirements of the wider business.

In addition the group has also made significant inroads into its restructuring plan, which includes a complete replacement of all IT, business systems and processes and a corresponding reduction in long term operational and overhead costs, to further strengthen the profitability of the group's retained assets.

The retained sites, which are a mix of freehold and long-term leasehold properties (at sustainable rents), collectively enjoy strong underlying trading, as well as providing significant short, medium and long term, highly valuable property development potential. In line with this, planning was sought and achieved for c.240 lodge style holiday homes development at St Mellion, with the first phase planned to launch in autumn 2020.

The Coronavirus lockdown was a significant blow to golf, with timing aligned with the largest membership renewal population of the year. Despite this impediment, the group put strategies in place, which successfully renewed c. 80% of the existing golf membership population, irrespective of club and course closures. Whilst golf courses still required maintenance through the lock down period, course management teams were reduced to skeleton levels, with clubhouses closed completely. Group based employees were utilised to deal with member enquiries, renewals and booking management. Overheads were also reduced to a third of typical costs expected for the period, with suppliers and contracts successfully suspended, deferred or terminated during the lockdown period.

The business has made use of the government's furlough scheme during lockdown, but also has short time working provisions in its employment contracts, which allow it to manage employment costs quickly and strategically should this support not be available either now or in the future.

Following an easing of government restrictions, the businesses reopened for golf on a limited (2 ball only) basis in mid-May. In preparation a ghost booking platform had been set up in the lead up to the easing of restriction, which meant that Crown Golf clubs were able to launch at almost peak occupancy (based on available occupancy). The restrictions on two balls only were lifted at the beginning of June, with demand for casual golf seeing significant year on year growth. Membership has also seen growth and closing membership in June is anticipated to be at a similar level to before lockdown when taken across the sites. While there has been some increase in expenditure following re-opening, costs continue to be managed tightly.

CROWN GOLF GROUP LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

During the lockdown the directors took the opportunity to refinance the business, securing a new term debt facility of up to £5m (only £3m has been drawn down at this point in time). The sale completion of the leasehold portfolio is now imminent, with contracts exchanged and all assignments in agreed form. This will further increase the group profitability and reduce the rent burden, adding to the robustness of the underlying performance. Since the limited reopening on the 13th May, continued strong trading in golf green fees, new membership sales, proven tight management of costs and the positive cash flow generated, underline the directors confidence that the business is in a strong financial position for the immediate and longer-term future.

Financial key performance indicators

The company has a number of key performance indicators. The focus is on new joining member numbers, golf rounds played in the year and the net current asset position of the group:

	2019	2018
New joining members*	2,030	1,761
Casual golf rounds played*	222,829	215,242
Net current assets	£2,044k	(£3,389k)

*figures are presented on a like for like basis so do not include the clubs exited in the financial year

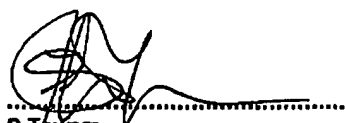
These are in line with the directors expectations and continue to strengthen the future activity of the company.

Post balance sheet events

The group completed three notable property development transactions post 30 June 2019. The proceeds from the transactions were £6,881k. A proportion of the proceeds from these transactions were used to reduce the loans outstanding with RBS, therefore significantly strengthening the balance sheet position.

The group also exchanged contracts on the sale of a number of challenging leasehold assets in its portfolio.

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


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S Towers
Director

Date: 30-Jun-2020

CROWN GOLF GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

The directors present their report and the financial statements for the year ended 30 June 2019.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of 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 the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements 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 Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

Principal activity

The principal activity of the group in the year under review was that of the ownership and management of golf courses under the umbrella of the Crown Golf brand. Crown Golf is the largest owner and operator of golf courses in the UK, with the group's management operating 19 properties (2018: 23).

Results and dividends

The profit for the year, after taxation, amounted to £1,124k (2018 - £14,485k).

Directors

The directors who served during the year were:

S Sugden (resigned 18 December 2018)
S Towers
J Chapman
G Toomey (resigned 15 February 2019)
D Fulcher (appointed 18 December 2018)

Future developments

The group continues with the goal to increase shareholder value whenever possible. The directors expect to continue to develop operational trading opportunities as well as furthering its successful property promotion activities.

CROWN GOLF GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

Financial risk management

The group has exposures to liquidity risk and interest rate risk. The objective of the group in managing liquidity risk is to ensure it can meet its financial obligations as and when they fall due. The group expects to meet its financial obligations through operating cash flows. The group borrows from its bankers using either overdrafts or term loans whose tenure depends on the nature of the asset and management's view of the future direction of interest rate. Cash flow is carefully managed on a daily basis which assists in the management of financial risk.

Employees

The group gives equal consideration to all applicants for employment irrespective of any disability. If a person becomes disabled while employed by the group, every endeavour is made to protect that person's position. Disabled persons have the same opportunities for training and career development, as other employees with similar skills and abilities. The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the group. This is achieved through regular contact by management with employees both over electronic communications and formal and informal communications within the individual clubs.

Directors Indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the year directors and officers liability insurance in respect of itself and its directors.

Matters covered in the strategic report

The company has chosen in accordance with Section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out within the company's Strategic Report the Company's Strategic Report information required by Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008. This includes information that would have been included in the business review and assessment of going concern.

Disclosure of information to auditors

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 and the Group's auditors are 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 and the Group's auditors are aware of that information.

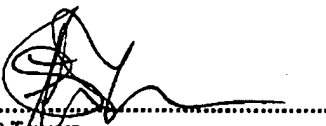
CROWN GOLF GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

Auditors

Under section 487(2) of the Companies Act 2006, Menzies LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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



S Towers
Director

Date: 30-Jun-2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROWN GOLF GROUP LIMITED

Opinion

We have audited the financial statements of Crown Golf Group Limited (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 June 2019, which comprise the Group Statement of Income and Retained Earnings, the Group and company Statements of Financial Position, the Group Statement of Cash Flows, the Group and company Statement of Changes in Equity and the related notes, 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 of the parent company's affairs as at 30 June 2019 and of the Group's 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 related to going concern

We draw your attention to the going concern statements within the strategic report, which refers to the Coronavirus pandemic and the effects this has had on the Crown Golf Group. Whilst the directors have a plan in place and have taken necessary steps to mitigate all risks, the nature of these events and the unknown long-term duration and severity of the pandemic effect on the hospitality and leisure industry mean that a material uncertainty exists that may cast doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 Auditors' 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROWN GOLF GROUP LIMITED (CONTINUED)

Opinion 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 Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group 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 Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 Statement on page 3, 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 Group's and the parent 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 Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 Auditors' 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 Auditors' Report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROWN
GOLF GROUP LIMITED (CONTINUED)

Use of our report

This report is made solely to the company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.

Menzies LLP

Roberto Lobue FCA (Senior Statutory Auditor)

for and on behalf of
Menzies LLP

Victoria House
50-58 Victoria Road
Farnborough
Hampshire
GU14 7PG

Date: 30-Jun-2020

CROWN GOLF GROUP LIMITED

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 £000	2018 £000
Turnover	4	26,366	28,986
Cost of sales		(4,524)	(4,561)
Gross profit		21,842	24,425
Administrative expenses		(25,210)	(23,936)
Exceptional administrative expenses	12	2,962	-
Gains on sale of property and operations	5	243	14,982
Operating (loss)/profit	6	(163)	15,471
Profit on sale of subsidiary		1,203	-
Interest payable and expenses	10	(415)	(416)
Profit before tax		625	15,055
Tax on profit	11	499	(570)
Profit after tax		1,124	14,485
Retained earnings at the beginning of the year		(19,189)	(33,674)
		(19,189)	(33,674)
Profit for the year attributable to the owners of the parent		1,124	14,485
Retained earnings at the end of the year		(18,065)	(19,189)


The notes on pages 17 to 32 form part of these financial statements.

CROWN GOLF GROUP LIMITED
REGISTERED NUMBER:04594353

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	13	48,085	54,848
		<u>48,085</u>	<u>54,848</u>
Current assets			
Stocks	15	779	893
Debtors	16	12,377	6,752
Cash at bank and in hand	17	548	3,184
		<u>13,704</u>	<u>10,829</u>
Creditors: amounts falling due within one year	18	(11,660)	(14,218)
Net current assets/(liabilities)		<u>2,044</u>	<u>(3,389)</u>
Total assets less current liabilities		<u>50,129</u>	<u>51,459</u>
Creditors: amounts falling due after more than one year	19	(46,413)	(45,566)
Provisions for liabilities			
Net assets		<u>3,716</u>	<u>5,893</u>
Capital and reserves			
Called up share capital	23	21,338	21,338
Members equity reserve	24	-	3,744
Profit and loss account	24	(17,622)	(19,189)
Equity attributable to owners of the parent company		<u>3,716</u>	<u>5,893</u>
		<u>3,716</u>	<u>5,893</u>

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



S Towers
 Director

Date: 30-Jun-2020


The notes on pages 14-28 form part of these financial statements.

CROWN GOLF GROUP LIMITED
REGISTERED NUMBER:04594353

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 £000	2018 £000
Fixed assets			
Investments	14	1,228	2,266
		<u>1,228</u>	<u>2,266</u>
Current assets			
Debtors	16	63,948	65,360
Cash at bank and in hand	17	1	100
		<u>63,949</u>	<u>65,460</u>
Creditors: amounts falling due within one year	18	(10,497)	(14,360)
Net current assets		<u>53,452</u>	<u>51,100</u>
Total assets less current liabilities		<u>54,680</u>	<u>53,366</u>
Creditors: amounts falling due after more than one year	19	(32,078)	(33,407)
Net assets		<u>22,602</u>	<u>19,959</u>
Capital and reserves			
Called up share capital	23	21,338	21,338
Profit and loss account	24	1,264	(1,379)
		<u>22,602</u>	<u>19,959</u>

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


 S Towers
 Director

Date: 30-Jun-2020

The notes on pages 17 to 32 form part of these financial statements.

CROWN GOLF GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Called up share capital £000	Members loan reserve £000	Profit and loss account £000	Total equity £000
At 1 July 2017	21,338	3,744	(33,674)	(8,592)
Comprehensive income for the year				
Profit for the year	-	-	14,485	14,485
At 1 July 2018	21,338	3,744	(19,189)	5,893
Profit for the year	-	-	1,124	1,124
Transfer of members loan reserve	-	(3,744)	443	(3,301)
At 30 June 2019	21,338	-	(17,622)	3,716

The notes on pages 17 to 32 form part of these financial statements.

CROWN GOLF GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 July 2017	21,338	(1,379)	19,959
At 1 July 2018	21,338	(1,379)	19,959
Comprehensive income for the year			
Profit for the year	-	2,643	2,643
At 30 June 2019	21,338	1,264	22,602

The notes on pages 17 to 32 form part of these financial statements.

CROWN GOLF GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	2019 £000	2018 £000
Cash flows from operating activities		
Profit for the financial year	1,124	14,485
Adjustments for:		
Depreciation of tangible assets	1,876	1,863
Impairments of fixed assets	374	-
Loss on disposal of tangible assets	197	(14,068)
Interest paid	415	416
Taxation charge	(499)	570
Decrease in stocks	58	235
(Increase) in debtors	(955)	(1,276)
(Decrease) in creditors	(2,141)	(9,339)
Increase/(decrease) in provisions	-	(354)
Movement in members reserve	(3,301)	-
Disposal of subsidiary	(1,203)	-
Net cash generated from operating activities	(4,055)	(7,468)
Cash flows from investing activities		
Purchase of tangible fixed assets	(998)	(1,614)
Sale of tangible fixed assets	1,504	16,000
Sale of fixed asset investments	(41)	-
HP interest paid	(26)	(21)
Net cash from investing activities	439	14,365

CROWN GOLF GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

	2019 £000	2018 £000
Cash flows from financing activities		
Repayment of loans	(1,354)	(6,105)
Repayment of other loans	1,243	-
Repayment of/new finance leases	118	(136)
Interest paid	(363)	(395)
Net cash used in financing activities	(356)	(6,636)
Net (decrease)/increase in cash and cash equivalents	(3,972)	261
Cash and cash equivalents at beginning of year	1,879	1,618
Cash and cash equivalents at the end of year	(2,093)	1,879
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	548	3,184
Bank overdrafts	(2,641)	(1,305)
	(2,093)	1,879

CROWN GOLF GROUP LIMITED

CONSOLIDATED ANALYSIS OF NET DEBT FOR THE YEAR ENDED 30 JUNE 2019

	At 1 July 2018 £000	Cash flows £000	Disposal of subsidiaries £000	New finance leases £000	Other non- cash changes £000	At 30 June 2019 £000
Cash at bank and in hand	3,184	(2,595)	(41)	-	-	548
Bank overdrafts	(1,305)	(1,336)	-	-	-	(2,641)
Debt due after 1 year	(44,870)	(671)	-	-	1,083	(44,458)
Debt due within 1 year	(1,083)	1,083	-	-	(1,083)	(1,083)
Finance leases	(205)	164	-	(282)	-	(323)
	<u>(44,279)</u>	<u>(3,355)</u>	<u>(41)</u>	<u>(282)</u>	<u>-</u>	<u>(47,957)</u>

The notes on pages 17 to 32 form part of these financial statements.

CROWN GOLF GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. General information

Crown Golf Group Limited is a private company limited by shares incorporated in the United Kingdom. The address of its registered office, which is the same as its principal place of business, is disclosed on the company information page.

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 group management to exercise judgement in applying the group accounting policies (see note 3).

The following principal accounting policies have been applied:

The Group has elected to apply all amendments to FRS 102, as set out in the triennial review published in December 2017, prior to the mandatory adoption for accounting periods beginning on or after 1 January 2019.

2.2 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Income and Retained Earnings from the date on which control is obtained. They are deconsolidated from the date control ceases.

The group consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings, with exception of St Mellion Property Management Limited, made up to 30 June 2019. St Mellion Property Management Limited, a subsidiary undertaking by virtue of control, has been excluded from the consolidation as severe long-term restrictions hinder the exercise rights of the parent company over the subsidiary undertaking.

2.3 Going concern

The Directors have assessed the impact of coronavirus on the going concern position of the Crown Golf Group. Whilst there remains uncertainty over how long the pandemic will last and the long-term effects, financing has been put in place and a plan established to mitigate the risks of the pandemic. These steps, combined with the positive sales as a result of the limited reopening and the cost saving exercises undertaken, which are discussed in more detail in the strategic report, have led to the directors having a strong expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

CROWN GOLF GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.4 Revenue

Turnover is derived from the provision of golf and ancillary facilities and represents membership entrance fees and subscription income receivable in respect of the year. Turnover from membership fees for both golf and leisure members is initially deferred and subsequently recognised over the period that it relates.

Food, beverage and retail sales are made from the on-site restaurants and shops. This turnover is recognised as income at the time the sale is made, at invoice value excluding VAT. Turnover also includes non-membership golf and leisure income (green fees and driving range sales) which is also recognised at the time the sale is made.

Turnover from functions and conferences is deferred until the event takes place, at this point the turnover for the event is recognised including the release of the deferral.

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 of their estimated useful lives, using straight-line method.

Depreciation is provided on the following basis:

Freehold Property	- 2-2.5% straight line, land is not depreciated
Leasehold Property	- Depreciated over lower of 2% straight line and lease term, land is not depreciated
Plant and machinery	- 15% - 33% straight line
Equipment, Fixtures and fittings	- 10% - 33% straight line
Assets under construction	- Not depreciated

Assets under construction are in progress and therefore do not meet the criteria for depreciation.

2.6 Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.7 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Stocks

Stock is 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 the purchase on a weighted average basis.

CROWN GOLF GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.9 Leases

Rentals paid under operating leases are charged to the Consolidated Statement of Income and Retained Earnings on a straight line basis over the lease term.

2.10 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. The contributions are recognised as an expense in the Statement of Income and Retained Earnings 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 group in independently administered funds.

2.11 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted. Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect of situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

2.12 Exceptional Items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

3. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no material accounting judgements or estimates considered to be critical for the purposes of understanding the financial statements.

CROWN GOLF GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

4. Turnover

All turnover arose within the United Kingdom and is attributable to the provision of golf and ancillary services.

5. Gains on sale of property and operations

	2019 £000	2018 £000
Gains on sale of property and operations	243	14,982
	<u>243</u>	<u>14,982</u>

Within the current year the company sold an operating golf club and a portion of land at a separate course.

During the prior year the company had two notable property development transactions, and ceased operating one golf club.

6. Operating (loss)/profit

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

	2019 £000	2018 £000
Depreciation charged for the year	1,808	1,880
Defined contribution pension cost	157	112
Operating leases - other	342	691
Operating leases - rent of property	1,830	4,692
	<u>1,830</u>	<u>4,692</u>

7. Auditors' remuneration

	2019 £000	2018 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	62	62
	<u>62</u>	<u>62</u>

Fees payable to the Group's auditor and its associates in respect of:

Audit-related assurance services	4	4
Taxation compliance services	19	19
Preparation of accounts	13	13
	<u>36</u>	<u>36</u>

CROWN GOLF GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Wages and salaries	10,432	11,437	-	-
Social security costs	771	833	-	-
Cost of defined contribution scheme	157	112	-	-
	11,360	12,382	-	-

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

	2019 No.	2018 No.
Administrative	97	108
Service	678	824
	775	932

In the current and previous year the company had no employees other than the directors. No remuneration was paid by the company itself to any employees (2018 - £NIL).

9. Directors' remuneration

	2019 £000	2018 £000
Directors' emoluments	283	311
Company contributions to defined contribution pension schemes	10	11
	293	322

The highest paid director received remuneration of £178 thousand (2018 - £173 thousand).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £6 thousand (2018 - £4 thousand).

CROWN GOLF GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

10. Interest payable and similar expenses

	2019 £000	2018 £000
Bank interest payable	415	415
Other loan interest payable	-	1
	<u>415</u>	<u>416</u>

11. Taxation

	2019 £000	2018 £000
Corporation tax		
Current tax on profits for the year	(696)	697
Adjustments in respect of previous periods	208	-
	<u>(488)</u>	<u>697</u>
Total current tax	<u>(488)</u>	<u>697</u>
Deferred tax		
Origination and reversal of timing differences	(11)	(127)
Total deferred tax	<u>(11)</u>	<u>(127)</u>
Taxation on (loss)/profit on ordinary activities	<u>(499)</u>	<u>570</u>

CROWN GOLF GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	625	15,055
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	119	2,860
Effects of:		
Expenses not deductible for tax purposes	425	10
Capital allowances for year in excess of depreciation	97	(1,113)
Utilisation of tax losses	611	-
Effects of tax rate changes	-	(49)
Adjustments to tax charge in respect of prior periods	(609)	-
Income exempt from taxation	(773)	(27)
Changes to the tax rate on deferred taxation	(13)	-
Profit on disposal of assets ineligible for capital allowances	(48)	(2,136)
Capital gains	-	925
Effect of subsidiary sold during the year	(398)	-
Group relief	90	100
Total tax charge for the year	(499)	570

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

CROWN GOLF GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

12. Exceptional items

	2019 £000	2018 £000
Write off of intercompany balances with related parties	339	-
Clearing Members Loan reserve	(3,301)	-
	<u>(2,962)</u>	<u>-</u>

13. Tangible fixed assets

Group

	Land and buildings £000	Computer, Fixtures and fittings £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 July 2018	93,190	26,696	574	120,460
Additions	90	764	470	1,324
Disposals	(2,834)	(2,046)	-	(4,880)
Disposal of subsidiary	(6,070)	(1,126)	-	(7,196)
At 30 June 2019	<u>84,376</u>	<u>24,288</u>	<u>1,044</u>	<u>109,708</u>
Depreciation				
At 1 July 2018	41,408	24,204	-	65,612
Charge for the year	1,073	803	-	1,876
Disposals	(996)	(1,858)	-	(2,854)
Disposal of subsidiary	(2,331)	(1,054)	-	(3,385)
Impairment charge	374	-	-	374
At 30 June 2019	<u>39,528</u>	<u>22,095</u>	<u>-</u>	<u>61,623</u>
Net book value				
At 30 June 2019	<u>44,848</u>	<u>2,193</u>	<u>1,044</u>	<u>48,085</u>
At 30 June 2018	<u>51,782</u>	<u>2,492</u>	<u>574</u>	<u>54,848</u>

Included within the net book value of fixed assets is £404k (2018 - £340k) relating to assets held under hire purchase agreements. The depreciation charge for the year relating to these assets was £116k (2018 - £64k).

CROWN GOLF GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

13. Tangible fixed assets (continued)

The net book value of land and buildings may be further analysed as follows:

	2019 £000	2018 £000
Freehold	39,505	47,305
Long leasehold	5,341	4,478
	<u>44,846</u>	<u>51,783</u>

Company

	Plant and machinery £000
Cost or valuation	
At 1 July 2018	87
At 30 June 2019	<u>87</u>
Depreciation	
At 1 July 2018	87
At 30 June 2019	<u>87</u>
Net book value	
At 30 June 2019	<u>-</u>
At 30 June 2018	<u>-</u>

CROWN GOLF GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

14. Fixed asset investments

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 July 2018	2,267
Disposals	(589)
Amounts written off	(450)
At 30 June 2019	<u>1,228</u>

Within the year the entire share capital of Chesfield Downs Golf Club Limited was sold, recognising a profit of £4,326k in the individual parent company.

There was also an impairment review of the investment in E P Golf Club Limited, following the sale of the companies trade and assets in the prior year, an impairment charge of £450k was recognised against the investment.

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Principal activity	Class of shares	Holding
Crown Golf Property Limited	Ownership and letting of golf clubs	Ordinary	100%
Crown Golf Operations Limited	Ownership and operation of golf clubs	Ordinary	100%
MWGC Lesiure Limited	Holding company	Ordinary	100%
Merrist Wood Golf Club Limited	Operation of golf clubs	Ordinary	100%
St Mellion Property Limited	Operation of golf clubs	Ordinary	100%
Sunbury Property Limited	Operation of golf clubs	Ordinary	100%
Batchworth Park Property Limited	Ownership and operation of golf clubs	Ordinary	100%
E P Golf Club Limited	Operation of golf clubs	Ordinary	100%
Wickham Park Property Limited	Operation of golf clubs	Ordinary	100%
South Winchester Property Limited	Operation of golf clubs	Ordinary	100%
Blue Mountain Golf Centre Limited	Dormant	Ordinary	100%
Buckfield Park Limited	Dormant	Ordinary	100%
Addington Court Golf Club	Dormant	Ordinary	100%
Addington Court Property Limited	Dormant	Ordinary	100%

Batchworth Golf Club is a private members club, which is under the control of Crown Golf Group Limited, and therefore the entity's results have been included in these financial statements.

CROWN GOLF GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

15. Stocks

	Group 2019 £000	Group 2018 £000
Finished goods	779	893
	<u>779</u>	<u>893</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

16. Debtors

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Due after more than one year				
Amounts owed by group undertakings	-	-	58,993	65,318
Amounts owed by related parties	21	-	-	-
Prepayments and accrued income	5	5	5	6
	<u>26</u>	<u>5</u>	<u>58,998</u>	<u>65,324</u>
Due within one year				
Trade debtors	2,484	3,364	-	-
Amounts owed by related parties	-	74	-	-
Other debtors	9,150	2,036	4,948	-
Prepayments and accrued income	672	980	-	-
Tax recoverable	-	209	-	34
Deferred taxation	45	84	2	2
	<u>12,377</u>	<u>6,752</u>	<u>63,948</u>	<u>65,360</u>

Amounts owed by related parties falling due within one year are unsecured, interest free and are repayable on demand. Amounts owed by group undertakings falling due after more than one year are unsecured, interest free and are repayable in 12 months and 1 day on a rolling basis.

17. Cash and cash equivalents

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Cash at bank and in hand	548	3,184	1	100
Less: bank overdrafts	(2,641)	(1,305)	-	(35)
	<u>(2,093)</u>	<u>1,879</u>	<u>1</u>	<u>65</u>

CROWN GOLF GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

18. Creditors: Amounts falling due within one year

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Bank overdrafts	2,641	1,305	-	35
Bank loans	1,083	1,083	1,083	1,083
Trade creditors	840	481	-	-
Amounts owed to group undertakings	-	-	3,900	7,222
Amounts owed to related parties	-	390	4,901	4,849
Corporation tax	2	697	-	-
Other taxation and social security	723	1,762	440	1,162
Obligations under finance lease and hire purchase contracts	157	112	-	-
Other creditors	1,187	1,621	128	-
Accruals and deferred income	5,027	6,767	45	9
	11,660	14,218	10,497	14,360

Amounts owed to group undertakings and related parties are unsecured, interest free and are repayable on demand.

The bank overdraft is secured by an intercompany guarantee between members of the group and Pine Ridge Operations Limited.

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

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Bank loans	11,040	12,369	11,040	12,369
Payments received on account	546	604	-	-
Net obligations under finance leases and hire purchase contracts	166	93	-	-
Amounts owed to parent undertakings	33,418	32,500	21,038	21,038
Amounts owed to related parties	1,243	-	-	-
	46,413	45,566	32,078	33,407

Amounts owed to parent undertakings and related parties are unsecured, interest free and are repayable in 12 months and 1 day on a rolling basis.

CROWN GOLF GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

20. Loans

Loans repayable, included within creditors, are analysed as follows:

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Amounts falling due within one year				
Bank loans	1,083	1,083	1,083	1,083
	<u>1,083</u>	<u>1,083</u>	<u>1,083</u>	<u>1,083</u>
Amounts falling due 2-5 years				
Bank loans	11,040	12,369	11,040	12,369
	<u>11,040</u>	<u>12,369</u>	<u>11,040</u>	<u>12,369</u>
	<u>12,123</u>	<u>13,452</u>	<u>12,123</u>	<u>13,452</u>

The group's bankers, Royal Bank of Scotland (RBS), have first legal charge over the freehold and leasehold properties that are held by the group.

At the year end the group was in breach of it's EBITDA covenant with the bank. This breach was foreseen by the Directors and discussions on alternative facilities were started with the bank several months before any breach occurred. The value of the loan outstanding at the balance sheet date was £12,123k. Since the year end a revised facility has been arranged with the existing lender which has removed the covenant and aligned the terms of the loan with the future business plans. There have been no further breaches of the new covenants at the point of signing the accounts and the directors do not anticipate any issues with meeting the new covenants for the remainder of the loan period.

21. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2019 £000	Group 2018 £000
Within one year	157	109
Between 1-2 years	166	93
	<u>323</u>	<u>202</u>

CROWN GOLF GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

22. Deferred taxation

Group

	2019 £000	2018 £000
At beginning of year	82	(45)
Charged to profit or loss	12	127
Disposal of subsidiary	(49)	-
At end of year	<u>45</u>	<u>82</u>

Company

	2019 £000	2018 £000
At beginning of year	<u>2</u>	<u>2</u>
At end of year	<u>2</u>	<u>2</u>

The deferred tax asset is made up as follows:

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Accelerated capital allowances	43	80	-	-
Short term timing differences	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
	<u>45</u>	<u>82</u>	<u>2</u>	<u>2</u>

CROWN GOLF GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

23. Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
21,338,255 (2018 - 21,338,255) Ordinary Shares shares of £1.00 each	<u>21,338</u>	<u>21,338</u>

24. Reserves

Members equity reserve

This balance represents the amount of former member loans which were transferred to equity.

Profit and loss reserve

This reserve records the accumulated profits and losses of the group, net of dividends.

25. Contingent liabilities

Certain members were granted membership following the demise of members' clubs previously operating at certain golf courses now managed by the company. In the event of a dissolution or winding up of the company, any property remaining after discharge of the debts and liabilities of the company or quasi subsidiary shall be used to pay the memberships to these members or their replacements. The directors estimate a maximum liability of approximately £858k (2018: £1,242k), being the total of advances paid by these members to the demised clubs now managed by the company, together with the members' loan repayments. Any costs that the company cannot bear will be borne by the parent company.

Except in the event of a dissolution or winding up, the directors do not believe that the company or quasi subsidiaries have any liability to these members in respect of the advances made to the demised clubs. Accordingly, no provision has been made in these financial statements for such advances.

26. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £157k (2018 - £120k).

CROWN GOLF GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

27. Commitments under operating leases

At 30 June 2019 the Group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £000	Group 2018 £000
Land and Buildings		
Not later than 1 year	1,375	1,750
Later than 1 year and not later than 5 years	4,890	5,623
Later than 5 years	18,973	22,801
	25,238	30,174

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Other				
Not later than 1 year	330	367	-	9
Later than 1 year and not later than 5 years	201	573	-	9
	531	940	-	18

The company had no operating lease commitments at 30 June 2019.

28. Post balance sheet events

The group completed three notable property development transactions post 30 June 2019. The proceeds from the transactions were £6,881k. A proportion of the proceeds from these transactions were used to reduce the loans outstanding with RBS, therefore significantly strengthening the balance sheet position.

The group also exchanged contracts on the sale of a number of challenging leasehold assets in its portfolio.

29. Controlling party

The immediate parent undertaking is Broadbat Pty Limited.

The ultimate parent undertaking and controlling party is Elbowup Pty Limited as trustee for Inthe Vee Discretionary Trust in Australia.