

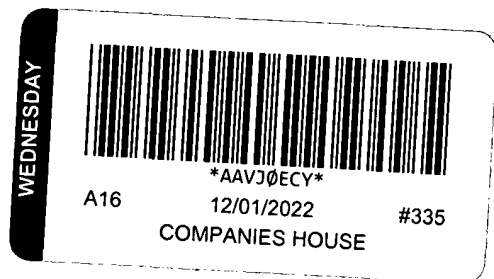
Norlake Hospitality Limited

Annual Report and Financial Statements

Year Ended

31 March 2021

Company Number 08075340



Norlake Hospitality Limited

Company Information

Directors	S Pasricha N Mittal S B Mittal P Surana E T Renault
Registered number	08075340
Registered office	53/54 Grosvenor Street London W1K 3HU
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Norlake Hospitality Limited

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Norlake Hospitality Limited

Group strategic report for the Year Ended 31 March 2021

The directors present their strategic report together with the audited financial statements for the year ended 31 March 2021.

Principal activities

The principal activity of Norlake Hospitality Limited (the "company") during the year was that of a holding company. The principal activities of the subsidiaries of the company (collectively, the "group") are the operation and development of hotels in the UK, Europe and the USA.

Performance summary

The group has benefited from the continued execution of the business's strategy, which is to build and operate hotels which offer a unique guest experience, inspired by the local neighbourhood in which each hotel is based.

The group has nine operating hotels trading using 'The Hoxton' brand name which comprise 1,555 bedrooms, 51 meeting rooms, 18 restaurants and bars and 1,514 co-working desks. In addition, the group includes a number of hotels currently under development.

The directors are currently considering development opportunities to maximise the future potential of these hotels.

During the year, the company issued £260m and \$150m of redeemable preference shares, at the option of the company, to Bharti Global Limited, with proceeds from this share issue used to repay an outstanding loan with Indian Continent Investment Limited ('ICIL'), a parent group company, as well as redeem £100m of preference shares owned by ICIL.

On 25 November 2020, the group's loan facility was refinanced at comparable market rates. Additionally on this date a subsidiary of Norlake Hospitality Limited increased its debt facility by £50.0m.

On 23 December 2021 the group's loan facility was refinanced at comparable market rates. The new loan facility is repayable in full in December 2023.

In the year ended 31 March 2021, the group's turnover decreased by £121.6m to £24.8m, with operating loss decreasing by £89.3m to a £3.4m profit. This includes a reversal of prior year impairments of fixed assets of £50.3m (31 March 2020 – impairment of £68.4m), which were primarily due to the impact of COVID-19 on valuations (see note 3).

Financial highlights

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. The directors continue to monitor this on a regular basis, however a combination of the continued temporary closures due to COVID-19 and the impact on demand from COVID-19 has meant that comparisons to prior years are not meaningful.

The directors have reviewed the performance of each hotel against its competitor set and are satisfied with the results.

Operational highlights

The group's operating hotels have responded well to continued development of their local competitive environments, ensuring that they constantly evolve with the area in which they are based.

Norlake Hospitality Limited

Group strategic report (continued) for the Year Ended 31 March 2021

Strategy

The group has benefited from the continued execution of the business's strategy, which is to build and operate hotels offering a unique guest experience, inspired by the local neighbourhood where each hotel is based.

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.

Future outlook

Since March 2020, the outbreak of the COVID-19 coronavirus has had a devastating impact on the world economy. The business and personal leisure travel markets are only expected to return when both employers and individuals feel that it is safe to do so from a health perspective (PWC Hotels - response to COVID-19 & Hotel forecast).

Following government guidance, all hotels within the group closed their doors in March 2020, utilising government support schemes where possible.

The hotels reopened during June and July 2020 focusing on leisure business as travel bans and quarantine measures limit Corporate and Group business. Management have reviewed the operating costs of the business and restructured to reflect the lower revenue expectation.

In November 2020, the UK hotels closed again, after UK Government announced a four week lockdown, re-opening early December 2020.

In mid-December 2020, London was reclassified into Tier 4 local COVID-19 restrictions, resulting in the UK hotels closing again temporarily. The UK hotels reopened in April and May 2021.

In November 2020, a national lockdown was imposed in France, resulting in The Hoxton Paris closing again temporarily, however the hotel has been fully open since June 2021.

The Hoxton Amsterdam and US hotels remained open throughout the year, however with restrictions on operations in place.

Given the evolution of the COVID-19 outbreak and the global responses to curb the spread, the group is not able to accurately predict the future impact of the COVID-19 outbreak on its results of operation, financial condition or liquidity. The business will continue to monitor the outbreak in order to mitigate the impact of COVID-19 on the business, with a view to maximise yields.

Principal risks and uncertainties

Economic

The directors have assessed the main risk facing the group as being the global coronavirus pandemic involving the spread of COVID-19 and the counter measures adopted by governments to mitigate the impact of the pandemic. The safety of employees and guests are at the forefront of the response to the pandemic, which includes a comprehensive plan to protect employees and guests. The economic and operational impact on the hotel sector is widely reported and acknowledged by the directors. Restructures have been carried out to reduce hotel cost bases. The hotels are taking advantage of government support schemes to offset lower forecast revenue as well as maintaining proactive revenue strategies.

Competition

The local competitive environments surrounding each hotel continues to evolve. Market intelligence provides data about local markets 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 environments. The directors are confident about the competitive position of the group's hotels in this changing marketplace.

Norlake Hospitality Limited

Group strategic report (continued) for the Year Ended 31 March 2021

The directors are confident that the quality of the product, the location of the group's hotels and the level of customer service will be a competitive advantage and create an opportunity to increase market share.

Legislative risks

Following the UK electorate voting in favour of the UK's exit from the European Union, the terms under which the UK and EU will trade were agreed on 24 December 2020. There is a risk that travel to the UK and ability of employers to recruit from outside the EU may be adversely impacted. To the extent possible and at the appropriate time, the directors will take action to mitigate the impact on the business.

Financial risk management

Interest rate risk

At 31 March 2021, the group has drawn down both fixed rate shareholder loans and variable rate bank borrowings. No interest rate hedge is in place.

Liquidity risk

The management team's objectives are to retain sufficient liquid funds to enable the group to meet its day to day obligations as they fall due. Surplus funds are returned to Norlake Hospitality Limited to reduce the outstanding shareholder loan.

Foreign exchange risk

Although the functional currency of the Group is Sterling, the Group's operating cashflows are transacted in Sterling, Euro and US Dollar. At 31 March 2021, the Group has drawn down external bank loans in Sterling, Euro and US Dollar to ensure that the interest costs arise in currencies that reflect the operating cash flows, thereby minimising net cashflows in foreign currencies. Hedge accounting is not used by the group.

Section 172 report

Stakeholder engagement is an important area of focus for Norlake Hospitality Limited and its subsidiaries (the "Group"). We ensure that we have open communication with our various stakeholder groups. We use information gained through these relationships to make informed judgements when making key decisions.

The directors understand the importance of their section 172 duty to act in good faith to promote the success of the Group. When making decisions, the interests of any key relevant stakeholders is considered, including employees, suppliers, customers, shareholders, the community, lenders and the environment. The Group is committed to developing business relationships with suppliers and customers.

The Board also takes into consideration the long-term consequences for both the Group and its relevant stakeholders when making these decisions by forecasting and considering the impact of these decisions. This ensures that the Group conducts its business in a fair way, protecting its reputation and external relationships.

Impact of Covid-19

The impact of Covid-19 during the year presented an unprecedented challenge for the Group, with a number of decisions affected by the pandemic.

Competing priorities had to be managed and short-term decisions needed to be weighed against the Group's long-term strategic goals, all whilst ensuring the safety of guests and employees and considering all stakeholders appropriately.

Decisions to restructure teams and apply for Government support were made to ensure the financial resilience of the Group. The Group also continued to progress redevelopments of a number of hotels during the pandemic in order for them to be well positioned for when their markets reopened. In making these decisions they focused on the group's values, business ethics, risks and post-pandemic strategy.

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Group strategic report (continued) for the Year Ended 31 March 2021

Workforce engagement

The group employed on average 673 people during the year ending 31 March 2021 and actively engages with and develops its people.

The group provides regular updates to its employees through a number of internal channels from informal, local, hotel-level communications through to formal, quarterly, group-wide information sessions.

Diversity and inclusion surveys have been undertaken to better understand how we can make the group more inclusive and progressive. We have also set up a Global Inclusion Council to help us advance the opportunities and interest of our people from all diverse backgrounds. We want our Council to be made up of internal team members, as well as external consultants. Over the long term, we aim to improve representation of underrepresented groups as well as staff retention by fostering a sense of belonging amongst our employees.

Upon joining, all new team members undergo a relevant and comprehensive induction program developed to provide support and guidance for their role.

Internal training is provided for all team members to support them in performance of their roles and additional management training is provided as team members take on management duties.

For employees who prefer to raise any concerns confidentially, we have internal and external channels whereby any employee can ask a question of the senior leadership team anonymously, which are regularly reviewed and answered.

Shareholder engagement

The Board is committed to ensuring there is continued sufficient and effective communication and engagement between the Group and the shareholders through various different means throughout the year. This includes the Annual Report which sets out the Group's strategy and performance over the past financial year and plans for future growth. Additionally, KPIs relating to operating hotels as well as the group as a whole are reported on a quarterly basis with commentary to explain key performance details.

Supplier engagement

We undertake significant due diligence on our suppliers, and we have regular monitoring to ensure all suppliers are working in line with our minimum standards. Key suppliers include construction, food & beverage, cleaning, property maintenance & IT/security infrastructure.

To ensure there is two-way communication with suppliers, we regularly engage with them by phone and/or onsite. Contracts are reviewed regularly and a fair competitive process is carried out when agreements expire or are due for renewal.

Community engagement

The Group has continued its 'Do More' programme, which allows our employees to engage in charitable projects and activities that aim to extend our hospitality to those who cannot access or afford it. In the cities where we operate, our employees volunteer and fundraise for local charities that impact the neighbourhoods.

The Group continues to prioritise the local community. From the artwork in our lobbies to the wallpaper and furnishing in our bedrooms, the uniforms our team wear and the events programmes we curate, we strive to be an authentic reflection of our neighbourhoods, whilst supporting the communities around us. By rooting deep within the community we aim to be a focal point of the local areas for many years to come.

Customers

As part of our staff training, we emphasise the importance of engaging with customers throughout their experience. We enable our customers to get up to date pricing information and promotions through emails and our website, and we carry out a number of guest satisfaction surveys.

Norlake Hospitality Limited

Group strategic report (continued) for the Year Ended 31 March 2021

We operate a 'Surprise & Delight' project where we learn about and cater to our guests needs to exceed their expectations. The continued happiness and welfare of our guests is of the utmost importance and therefore all staff are encouraged to engage with the guests throughout their stay to provide a personalised service, as well as following up on feedback, whether directly or via booking sites. We ensure our offering remains up to date and attractive to customers, with a continuing process of refurbishment and renewal throughout the hotel.

We aim to increase the amount of repeat business by growing long term brand loyalty. We expect this to grow exponentially over the coming years as we look to open more hotels.

Lender engagement

There is regular communication with the lenders to discuss business performance, the market and any current issues. Additionally, lenders are reported to on a quarterly basis, to update on the performance of the relevant hotels.

Environment

The group is committed to reducing its environmental impact. We have already removed plastic straws and water bottles from use and are looking to eliminate single use plastic from all areas of our hotels. A carbon audit is currently being undertaken across all hotels to assess our environmental impact and develop an action plan.

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



.....
E T Renault
Director

Date: 6 January 2022

Norlake Hospitality Limited

Directors' report for the Year Ended 31 March 2021

The directors present their report and the financial statements for the year ended 31 March 2021.

Results and dividends

The loss for the year, after taxation, amounted to £19,815,000 (15 month period ended 31 March 2020 – £108,781,000).

The directors have not recommended a dividend (31 March 2020 - £nil).

Directors

The directors who served during the year and up to the date of signature of the financial statements were:

S Pasricha
N Mittal
S B Mittal
S Balachandran (resigned on 15 October 2021)
P Surana (appointed on 15 October 2021)
E T Renaut (appointed on 25 November 2021)

Qualifying indemnity provision was in place for each of the directors during the year.

Directors' responsibilities

The directors are responsible for preparing the 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). 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 group and company and of the profit or loss of the group and company for that year.

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 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.

Matters covered in the strategic report

As permitted by paragraph 1A of schedule 7 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008, certain matters which are required to be disclosed in the directors' reports have been omitted as they are included in the strategic report on pages 1 - 5. These matters relate to the principal risks to which the company is exposed and future developments.

Norlake Hospitality Limited

Directors' report (continued) for the Year Ended 31 March 2021

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 and the group'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 and the group's auditor is aware of that information.

Going concern

In assessing the basis of preparation, the directors have considered the fact that there are committed facilities in place from the parent group which will allow the group to ensure it can meet its capital expenditure forecasts to complete its development projects and cover any potential operating cash shortfall which may arise, but which are not forecast. While this facility is repayable on demand, the directors have received confirmation from its immediate parent company, Bharti Global Limited, that the intercompany loan provided to the company will not be recalled for a period of at least 12 months from the date of approval of these financial statements, unless the group is able to repay them.

On 3 December 2021 the group agreed a new loan facility for £200m. This new funding will be used for the development of four properties in the group.

Further, on 23 December 2021 the existing loan facility that was in place at the balance sheet date was renewed for a period of two years.

The directors have assessed the covenants in place on the new and renewed loan facilities and believe, based on the forecasts and expectations of the group that these can be met. If such a situation arose, then the company has an option to cure any potential breach of covenant before it became an event of default. The committed facilities which the Company has secured from the parent group would allow the Company every likelihood of curing any such potential breach.

Directors are confident that this additional secured funding and refinancing of the existing debt provides comfort in their assessment of going concern.

Having made appropriate enquiries, and taking into account the confirmations above, the directors have a reasonable expectation that the group and company have adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of approval of these financial statements. Therefore, the directors have concluded it is appropriate to prepare the financial statements on a going concern basis.

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.



.....
E T Renault
Director

Date: 6 January 2022

Norlake Hospitality Limited

Independent Auditor's report to the members of Norlake Hospitality Limited

Opinion on the financial statements

In our opinion:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2021 and of the group's loss 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.

We have audited the financial statements of Norlake Hospitality Limited ("the parent company") and its subsidiaries ("the group") for the year ended 31 March 2021 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group and parent 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.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Norlake Hospitality Limited

Independent Auditor's report to the members of Norlake Hospitality Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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.

Other Companies Act 2006 reporting

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.

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 strategic report and directors' report.

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

- adequate accounting records have not been kept 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, 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 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.

Norlake Hospitality Limited

Independent auditor's report to the members of Norlake Hospitality Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management and the directors, including obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established by the group to mitigate risks related to fraud or non-compliance with laws and regulations.
- discussing among the engagement team including significant component audit teams, how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified elevated risk areas for potential for fraud in the following areas:
 - Management override of controls;
 - Government grant claims; and
 - Capitalisation of costs.
- obtaining an understanding of the legal and regulatory frameworks that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the group. The key laws and regulations we considered in this context included the UK Companies Act, UK Generally Accepted Accounting Principles, and relevant tax and employment legislation.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations noted above;
- enquiring of management, the directors and legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing correspondence with HMRC; and
- addressing the risk of fraud through management override of controls by, testing the appropriateness of journal entries including journal entries posted to revenue and other adjustments; assessing whether the judgements made about assumptions reflected in accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- addressing the risk of fraud through capitalising costs by testing a sample of asset additions in the year and tracing to supporting documents that support the accounting treatment adopted
- addressing the risk of fraud in Government grant claims by assessing the controls and governance procedures in place for each claim made, by recalculating a sample of claims, verifying the claims, receipts and payments made in regard of payroll related claims, and involving specialists to assess the claims made.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not

Norlake Hospitality Limited

Independent auditor's report to the members of Norlake Hospitality Limited (continued)

detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on 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 parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Mark RA Edwards

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Mark RA Edwards (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date: 10 January 2022

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

Norlake Hospitality Limited

Consolidated statement of comprehensive income for the Year Ended 31 March 2021

	Note	Year ended 31 March 2021 £'000	15 months ended 31 March 2020 £'000
Turnover	4	24,849	146,497
Cost of sales		(35,032)	(91,665)
Gross (loss)/profit		(10,183)	54,832
Administrative expenses		(44,225)	(72,368)
Movements in impairment of fixed assets (presentational currency)	14	50,323	(68,359)
Other income	5	7,504	-
Operating profit/(loss)	6	3,419	(85,895)
Interest receivable and similar income	10	784	535
Interest payable and similar charges	11	(11,788)	(21,135)
Other finance expenses		(1,331)	(1,830)
Foreign exchange on borrowings		(8,981)	4,098
Loss before tax		(17,897)	(104,227)
Tax on loss	12	(1,918)	(4,554)
Loss for the financial year		(19,815)	(108,781)
Currency translation differences		(7,060)	3,913
Other comprehensive (loss)/income for the year		(7,060)	3,913
Total comprehensive loss for the year		(26,875)	(104,868)
Loss for the financial year attributable to:			
Non-controlling interests		(17)	(172)
Owners of the parent company		(19,798)	(108,609)
		(19,815)	(108,781)

All amounts relate to continuing operations.

The notes on pages 20 to 44 form part of these financial statements.


Norlake Hospitality Limited

Registered number: 08075340

Consolidated statement of financial position as at 31 March 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
Fixed assets			
Intangible assets	13	25,001	16,514
Tangible assets	14	845,411	825,170
Long term deposits	16	5,296	5,381
		<hr/>	<hr/>
		875,708	847,065
Current assets			
Stocks	17	811	1,979
Debtors	18	34,497	33,078
Cash and cash equivalents		9,807	22,276
		<hr/>	<hr/>
		45,115	57,333
Creditors: amounts falling due within one year	19	(423,528)	(494,478)
		<hr/>	<hr/>
Net current liabilities		(378,413)	(437,145)
		<hr/>	<hr/>
Total assets less current liabilities		497,295	409,920
Creditors: amounts falling due after more than one year	20	(11,270)	(5,532)
Deferred tax	22	(46,524)	(34,922)
		<hr/>	<hr/>
Net assets		439,501	369,466
		<hr/>	<hr/>
Capital and reserves			
Share capital	23	-	-
Preference shares	23	574,523	295,450
Other reserve	24	5	5
Foreign exchange reserve	24	9,011	16,071
Capital contribution reserve	24	-	183,955
Merger reserve	24	1,964	1,964
Accumulated losses	24	(151,752)	(133,746)
Non-controlling interests	24	5,750	5,767
		<hr/>	<hr/>
		439,501	369,466
		<hr/>	<hr/>

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



E T Renault
 Director

Date: 6 January 2022

The notes on pages 20 to 44 form part of these financial statements.

Norlake Hospitality Limited

Registered number: 08075340

Company statement of financial position as at 31 March 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
Fixed assets			
Intangible assets	13	145	377
Investments	15	77,304	44,255
		<hr/>	<hr/>
		77,449	44,632
Current assets			
Debtors: amounts falling due after more than one year	18	115,122	148,576
Debtors: amounts falling due within one year	18	656,010	599,878
Cash and cash equivalents		1,628	3,100
		<hr/>	<hr/>
		772,760	751,554
Creditors: amounts falling due within one year	19	(148,426)	(249,896)
		<hr/>	<hr/>
Net current assets		624,334	501,658
		<hr/>	<hr/>
Total assets less current liabilities		701,783	546,290
Creditors: amounts falling due after more than one year	20	(2,191)	(999)
		<hr/>	<hr/>
Net assets		699,592	545,291
		<hr/>	<hr/>
Capital and reserves			
Share capital	23	-	-
Preference shares	23	574,523	295,450
Capital contribution reserve	24	-	183,955
Retained earnings	24	125,069	65,886
		<hr/>	<hr/>
		699,592	545,291
		<hr/>	<hr/>

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2008 and has not presented its own statement of comprehensive income in these financial statements. The profit after tax of the parent company for the year was £57,391,000 (15 month period ended 31 March 2020 - £57,191,000 loss).

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



.....
E T Renault
Director

Date: 6 January 2022

The notes on pages 20 to 44 form part of these financial statements.

Norlake Hospitality Limited

Consolidated statement of changes in equity for the Year Ended 31 March 2021

	Share capital £'000	Preference shares £'000	Other reserve £'000	Foreign exchange reserve £'000	Capital contribution reserve £'000	Merger reserve £'000	Accumulated losses £'000	Non- controlling interests £'000	Total equity £'000
At 1 April 2020	-	295,450	5	16,071	183,955	1,964	(133,746)	5,767	369,466
Comprehensive loss for the year									
Loss for the year	-	-	-	-	-	-	(19,798)	(17)	(19,815)
Currency translation differences	-	-	-	(7,060)	-	-	-	-	(7,060)
Total comprehensive loss for the year	-	-	-	(7,060)	-	-	(19,798)	(17)	(26,875)
Transfer between reserves	-	-	-	-	(1,792)	-	1,792	-	-
Issue of shares	-	279,073	-	-	-	-	-	-	279,073
Capital contribution	-	-	-	-	(182,163)	-	-	-	(182,163)
At 31 March 2021	-	574,523	5	9,011	-	1,964	(151,752)	5,750	439,501

The notes on pages 20 to 44 form part of these financial statements.

Norlake Hospitality Limited
Consolidated statement of changes in equity
for the Period Ended 31 March 2020

	Share capital £'000	Preference shares £'000	Other reserve £'000	Foreign exchange reserve £'000	Capital contribution reserve £'000	Merger reserve £'000	Accumulated losses £'000	Non- controlling interests £'000	Total equity £'000
At 1 January 2019	-	-	5	12,158	254,488	1,964	(36,997)	769	232,387
Comprehensive loss for the period									
Loss for the period	-	-	-	-	-	-	(108,609)	(172)	(108,781)
Currency translation differences	-	-	-	3,913	-	-	-	-	3,913
Total comprehensive loss for the period	-	-	-	3,913	-	-	(108,609)	(172)	(104,868)
Transfer between reserves	-	-	-	-	(11,860)	-	11,860	-	-
Issue of shares	-	295,450	-	-	-	-	-	-	295,450
Capital contribution	-	-	-	-	(58,673)	-	-	-	(58,673)
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	-	5,170	5,170
At 31 March 2020	-	295,450	5	16,071	183,955	1,964	(133,746)	5,767	369,466

The notes on pages 20 to 44 form part of these financial statements.

Norlake Hospitality Limited

Company statement of changes in equity for the Year Ended 31 March 2021

	Share capital £'000	Preference Shares £'000	Capital contribution reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2020	-	295,450	183,955	65,886	545,291
Comprehensive loss for the year	-	-	-	57,391	57,391
Profit for the year	-	-	-	57,391	57,391
Total comprehensive loss for the year	-	-	-	57,391	57,391
Transfer between reserves	-	-	(1,792)	1,792	-
Issue of shares	-	279,073	-	-	279,073
Capital contribution	-	-	(182,163)	-	(182,163)
At 31 March 2021	-	574,523	-	125,069	699,592

Company statement of changes in equity for the Period Ended 31 March 2020

	Share capital £'000	Preference Shares £'000	Capital contribution reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2019	-	-	254,488	111,217	365,705
Comprehensive profit for the period	-	-	-	(57,191)	(57,191)
Loss for the period	-	-	-	(57,191)	(57,191)
Total comprehensive profit for the period	-	-	-	(57,191)	(57,191)
Transfer between reserves	-	-	(11,860)	11,860	-
Issue of shares	-	295,450	-	-	295,450
Capital contribution	-	-	(58,673)	-	(58,673)
At 31 March 2020	-	295,450	183,955	65,886	545,291

The notes on pages 20 to 44 form part of these financial statements.

Norlake Hospitality Limited

Consolidated statement of cash flows for the Year Ended 31 March 2021

	Note	Year ended 31 March 2021 £'000	15 months ended 31 March 2020 £'000
Cash flows from operating activities			
Loss for the financial year		(19,815)	(108,781)
Adjustments for:			
Amortisation of intangible fixed assets	13	1,833	1,390
Depreciation of tangible fixed assets	14	22,420	21,507
(Reversal of impairment)/impairment of tangible fixed assets	14	(50,323)	68,359
Loss on disposal of tangible fixed assets		1,964	-
Interest credited to income statement	10	(784)	(535)
Interest charged to income statement	11	11,788	21,135
Other finance expense charged to income statement		1,331	1,830
Foreign exchange on borrowings		8,981	(4,098)
Taxation charged to the income statement	12	1,918	4,554
Decrease/(increase) in stocks		1,168	(556)
Decrease in debtors		3,420	1,556
Decrease in creditors		(1,192)	(12,504)
Corporation tax receipt/(paid)		435	(1,382)
		<hr/>	<hr/>
Net cash used in operating activities		(16,856)	(7,525)
Cash flows from investing activities			
Purchases of intangible fixed assets		(10,301)	(585)
Purchase of tangible fixed assets		(37,569)	(77,552)
Consideration paid on acquisition of shares in subsidiary		(4,741)	-
Proceeds on disposal of tangible fixed assets		2,997	-
Consideration paid on business combinations		-	(68,489)
Cash acquired on business combinations		-	2,635
VAT paid on investing activities		(505)	(687)
Amounts held in escrow		-	11,363
Refundable deposits on investing activities		-	6,282
Increase in long term deposits		(511)	(1,591)
Interest received		-	393
Loan to related party	18	(3,556)	(13,574)
		<hr/>	<hr/>
Net cash used in investing activities		(54,186)	(141,805)

Norlake Hospitality Limited

Consolidated statement of cash flows for the Year Ended 31 March 2021 (continued)

	Note	Year ended 31 March 2021 £'000	15 months ended 31 March 2020 £'000
Cash flows from financing activities			
Issue of preference shares	23	279,073	295,450
New secured bank loans		50,000	49,346
Loan arrangement fee		(1,363)	(2,271)
Other new loans		4,246	-
Repayment of other loans		-	(64,386)
New loans from group companies		192,456	237,383
Loans from group companies repaid		(464,161)	(364,719)
Interest paid		(4,939)	(6,460)
		<hr/>	<hr/>
Net cash generated from financing activities		55,312	144,343
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(15,730)	(4,987)
Cash and cash equivalents at beginning of year		22,276	28,520
Movements on foreign exchange		3,261	(1,257)
		<hr/>	<hr/>
Cash and cash equivalents at the end of year		9,807	22,276
		<hr/>	<hr/>

The notes on pages 20 to 44 form part of these financial statements.

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 March 2021

1. General information

Norlake Hospitality Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and principal activity 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 group management to exercise judgement in applying the group's accounting policies (see note 3).

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.

Parent company disclosure exemptions

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

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

The following principal accounting policies have been applied:

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 comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In the consolidated financial statements, merged subsidiary undertakings are treated as if they have always been a member of the group. The results of such a subsidiary are included for the whole year in the financial year that it joins the group. The corresponding figures for the previous year include its results for that year, the assets and liabilities at the previous statement of financial position date and the shares issued by the company as consideration as if they had always been in issue.

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

2. Accounting policies (continued)

2.2 Basis of consolidation (continued)

Any difference between the nominal value of the shares acquired by the company and those issued by the company to acquire them is taken to a separate merger reserve.

2.3 Going concern

In assessing the basis of preparation, the directors have considered the fact that there are committed facilities in place from the parent group which will allow the group to ensure it can meet its capital expenditure forecasts to complete its development projects and cover any potential operating cash shortfall which may arise, but which are not forecast. While this facility is repayable on demand, the directors have received confirmation from its immediate parent company, Bharti Global Limited, that the intercompany loan provided to the company will not be recalled for a period of at least 12 months from the date of approval of these financial statements, unless the group is able to repay them.

On 3 December 2021 the group agreed a new loan facility for £200m. This new funding will be used for the development of four properties in the group.

Further, on 23 December 2021 the existing loan facility that was in place at the balance sheet was renewed for a period of two years.

The directors have assessed the covenants in place on the new and renewed loan facilities and believe, based on the forecasts and expectations of the group that these can be met. If such a situation arose, then the company has an option to cure any potential breach of covenant before it became an event of default. The committed facilities which the Company has secured from the parent group would allow the Company every likelihood of curing any such potential breach.

Directors are confident that this additional secured funding and refinancing of the existing debt provides comfort in their assessment of going concern.

Having made appropriate enquiries, and taking into account the confirmations above, the directors have a reasonable expectation that the group and company have adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of approval of these financial statements. Therefore, 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 year, exclusive of Value Added Tax. The group has derived its turnover from the operation of hotels and from rental income from tenanted properties. Room revenue is the main source of turnover for the group. This is recognised over the period the rooms are occupied. Other income is recognised when an invoice is raised to the customer. Rental income is recognised in the year in which it is earned.

2.5 Grant income

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income. Grants of a revenue nature are recognised in "other income" within profit or loss in the same period as the related expenditure.

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

2. Accounting policies (continued)

2.6 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the group's share of the identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the consolidated statement of comprehensive income over its useful economic life, which ranges from 7 to 114 years.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years. The useful life for other intangible assets has been assessed to be 7 years, which is the remaining term of the original lease they relate to.

2.7 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.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Land is not depreciated. Depreciation on other assets 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	-	2%
Long leasehold property	-	2%
Plant and machinery	-	6.67%
Fixtures and fittings	-	10%
Office equipment	-	33.33%
Computer equipment	-	33.33%
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 consolidated statement of comprehensive income.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

2. Accounting policies (continued)

2.9 Stocks

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

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 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 consolidated 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 group's cash management.

2.12 Financial instruments

The group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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

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

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

2. Accounting policies (continued)

2.12 Financial instruments (continued)

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.13 Put option liability

Put options over B shares in subsidiaries are recognised initially at fair value through the statement of comprehensive income when granted. They are subsequently remeasured at fair value at each reporting period with the change in fair value recorded in the statement of comprehensive income as other finance expenses or income.

2.14 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.

2.15 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is Pound Sterling rounded to the nearest thousand.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each year end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

2. Accounting policies (continued)

2.16 Finance costs

Finance costs are charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.17 Dividends

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

2.18 Operating leases

Rentals paid under operating leases are charged to the income statement on a straight line basis over the lease term.

2.19 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense in the income statement 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.

2.20 Interest income

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

2.21 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, 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 and the group operate and generate taxable 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

2. Accounting policies (continued)

2.21 Current and deferred taxation (continued)

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.

2.22 Reporting period

The prior period financial statements were prepared for the period 1 January 2019 to 31 March 2020, a fifteen month period. The period was extended in order to achieve a co-terminus period end with its parent company. The comparative amounts presented in the financial statements (including related notes) are therefore not entirely comparable.

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

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

- Determine whether there are indicators of impairment of the group's fixed 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. A reversal of historical impairment charges of £50,323,000 (31 March 2020 – impairment charge of £68,359,000) has been recorded against the tangible fixed assets of the group. The directors have based their assessment on the carrying value of tangible fixed assets on their expected value in use from future trading. In particular greater judgement has been exercised regarding the anticipated occupancy and average daily rate achievable in the short term. The directors and the external valuers note that COVID-19 has presented an unprecedented set of circumstances across the globe and given the unknown future impact that it may have on the real estate market, there is a higher level of judgement and hence less certainty attached to the value held at the balance sheet date. Given the unknown future impact that COVID-19 might have on the real estate market, the carrying value is subject to material change and should be kept under frequent review. In concluding on the value of impairment, the directors considered downside risk to their own models and the external valuers. The directors have considered the impact of reductions of 5% and 10%, which is considered to be a relatively extreme reduction, of EBITDA on the impairment of two categories of fixed assets.

	5% Reduction £'000	10% Reduction £'000
Trading Hotels	1,611	3,223
Development Hotels	4,886	33,141
Change to impairment	6,497	36,364

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

3. Judgements in applying accounting policies and key sources of estimation (continued)

Other key sources of estimation uncertainty:

- *Tangible fixed assets (see note 14)*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Impairment of investments in subsidiaries*

A reversal of historical impairment charges of £33,049,000 (31 March 2020 – impairment charge of £40,106,000) has been recorded against the company's investment in subsidiaries. Additionally, a reversal of impairment charges of £25,343,000 (31 March 2020 – impairment charge of £33,770,000) has been recorded against the company's amounts owed by group undertakings. The directors have based their assessment on the carrying value on their expected value in use from future trading.

- *Fair value of put option liability (see note 20)*

The holder of B Shares in a number of the subsidiaries within the group has a contractual right to receive consideration when an exit event is triggered by the relevant subsidiary, Norlake Hospitality Limited, or upon the B shareholder exercising a put option on or after the exercise date specific to the shareholder agreement.

Consideration payable to the B shareholder from Norlake Hospitality Limited is calculated as 5% of the difference between the valuation as at the date of exit or exercising the put option less the agreed opening value and subsequent investments.

Calculation of the fair value of the consideration payable requires the application of key assumptions around the future forecast trading performance of the relevant subsidiary, anticipated future capital investment into the subsidiary, likely timing of exit event or exercising of the put option and discount rates. As at 31 March 2021 the calculated fair value of the consideration payable has been recognised as an amount payable to a related party. The valuation is subject to change in the event that there is a change in any of the assumptions used.

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

4. Turnover

An analysis of turnover by class of business is as follows:

	Year ended 31 March 2021 £'000	15 months ended 31 March 2020 £'000
Hotel operations	24,809	146,253
Rental income	40	244
	<u>24,849</u>	<u>146,497</u>

Analysis of turnover by country of destination:

United Kingdom	6,398	44,979
Europe	5,660	44,616
United States	12,791	56,902
	<u>24,849</u>	<u>146,497</u>

5. Other income

Government grants receivable relates to government grants of £7,504,000 that were received by the group in respect of various government schemes in the UK, Netherlands, France and USA in respect of Covid-19.

6. Operating profit/(loss)

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

	Year ended 31 March 2021 £'000	15 months ended 31 March 2020 £'000
Depreciation of tangible fixed assets	22,420	21,507
Amortisation of intangible fixed assets	1,833	1,390
(Reversal of impairment)/impairment of tangible fixed assets	(50,323)	68,359
Loss on disposal of tangible fixed assets	1,964	-
Other operating lease rentals	966	1,486
	<u>966</u>	<u>1,486</u>

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

7. Auditor's remuneration

	Year ended 31 March 2021 £'000	15 months ended 31 March 2020 £'000
Fees payable to the group's auditor in respect of:		
Audit of the financial statements	570	369
Tax and other services	374	340
	<u>944</u>	<u>709</u>

8. Employees

	Year ended 31 March 2021 £'000	15 months ended 31 March 2020 £'000
Staff costs were as follows:		
Wages and salaries	16,745	46,802
Social security costs	1,695	5,581
Cost of defined contribution scheme	385	796
	<u>18,825</u>	<u>53,179</u>

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

	Year ended 31 March 2021 Number	15 months ended 31 March 2020 Number
Administrative staff	565	1,011
Management staff	108	142
	<u>673</u>	<u>1,153</u>

Additionally, the group recognised redundancy costs of £2,624,000 (31 March 2020 - £605,000) during the year.

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

9. Directors' remuneration

	Year ended 31 March 2021 £'000	15 months ended 31 March 2020 £'000
Directors' emoluments	200	859
Company contributions to money purchase pension plans	-	8
	<u>200</u>	<u>867</u>

During the year no retirement benefits were accruing to directors (31 March 2020 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £200,000 (31 March 2020 - £616,886).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (31 March 2020 - £7,938).

10. Interest receivable and similar income

	Year ended 31 March 2021 £'000	15 months ended 31 March 2020 £'000
Interest receivable from related parties	778	468
Other interest receivable	6	67
	<u>784</u>	<u>535</u>

11. Interest payable and similar charges

	Year ended 31 March 2021 £'000	15 months ended 31 March 2020 £'000
Bank interest payable	6,580	8,844
Interest on loans from parent company	4,908	11,860
Other interest payable	300	431
	<u>11,788</u>	<u>21,135</u>

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

12. Taxation

	Year ended 31 March 2021 £'000	15 months ended 31 March 2020 £'000
Corporation tax		
Current tax on loss for the year	-	2,260
Adjustments in respect of prior periods	411	(1,565)
	<u>411</u>	<u>695</u>
Foreign tax		
Foreign tax on income for the year	(54)	1,121
Foreign tax in respect of prior periods	(252)	3
	<u>105</u>	<u>1,819</u>
Deferred tax		
Origination and reversal of timing differences	1,419	2,684
Adjustments in respect of prior periods	394	51
	<u>1,813</u>	<u>2,735</u>
Taxation on loss on ordinary activities	<u>1,918</u>	<u>4,554</u>

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (31 March 2020 - higher than) the standard rate of corporation tax in the UK of 19.00% (31 March 2020 - 19.00%). The differences are explained below:

	Year ended 31 March 2021 £'000	15 months ended 31 March 2020 £'000
Loss on ordinary activities before tax	(17,897)	(104,227)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (31 March 2020 – 19.00%)	(3,400)	(19,803)
Effects of:		
Fixed asset differences	1,724	460
Expenses not deductible for tax purposes	(4,317)	18,247
Additional deduction for land remediation expenditure	-	(52)
Utilisation of previously unrecognised tax losses	41	-
Adjustments to tax charge in respect of prior periods	559	(1,616)
Adjustments to tax charge in respect of prior periods (deferred tax)	(68)	59
Adjustment to deferred tax due to change in rates	-	680
Deferred tax not recognised	11,168	5,586
Difference due to overseas tax rates	(3,449)	38
Change in tax rates	(340)	955
Total tax charge for the year	1,918	4,554

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

13. Intangible assets

Group	Goodwill £'000	Computer software £'000	Other intangibles £'000	Total £'000
Cost				
At 1 April 2020	16,966	1,408	105	18,479
Additions	9,925	376	-	10,301
Transfers between classes	-	301	-	301
Exchange adjustments	32	(61)	-	(29)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2021	26,923	2,024	105	29,052
	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation				
At 1 April 2020	1,351	583	31	1,965
Charge for the year	1,087	731	15	1,833
Transfers between classes	-	150	-	150
Exchange adjustments	159	(57)	1	103
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2021	2,597	1,407	47	4,051
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2021	24,326	617	58	25,001
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2020	15,615	825	74	16,514
	<hr/>	<hr/>	<hr/>	<hr/>

Computer software of £145,000 (31 March 2020 - £377,000) is held by the company. The company has made additions of £46,000 (31 March 2020 - £nil) during the year.

Additions in goodwill of £9,925,000 relate to a change in the estimated fair value of the net assets acquired in Diagonal Holdco S.L.U. and its subsidiary companies during 2019.

Norlake Hospitality Limited

Notes to the financial statements (continued)
for the Year Ended 31 March 2021

14. Tangible fixed assets

Group	Freehold and long leasehold property £'000	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Assets under construction £'000	Total £'000
Cost or valuation						
At 1 April 2020	885,312	2,799	42,559	4,382	12,288	947,340
Additions	7,237	6	3,742	223	26,361	37,569
Disposals	(8,539)	(27)	(4,923)	(7)	-	(13,496)
Transfers between classes	5,582	-	3,625	(101)	(9,407)	(301)
Exchange adjustments	(40,474)	(8)	(2,509)	(264)	(245)	(43,500)
At 31 March 2021	849,118	2,770	42,494	4,233	28,997	927,612
Depreciation						
At 1 April 2020	106,191	1,653	12,084	2,242	-	122,170
Charge for the year	14,797	188	6,358	1,077	-	22,420
Disposals	(6,544)	(29)	(1,955)	(7)	-	(8,535)
Transfers between classes	-	-	-	(150)	-	(150)
Impairment reversal	(50,323)	-	-	-	-	(50,323)
Exchange adjustments	(2,590)	(2)	(648)	(141)	-	(3,381)
At 31 March 2021	61,531	1,810	15,839	3,021	-	82,201
Net book value						
At 31 March 2021	787,587	960	26,655	1,212	28,997	845,411
At 31 March 2020	779,121	1,146	30,475	2,140	12,288	825,170

The prior period impairment of £68,359,000 has been reduced by exchange adjustments of £6,904,000 and an impairment reversal of £50,323,000 in the current year.

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

15. Fixed asset investments

Company

	Investments in subsidiary companies £'000
Cost and net book value	
At 1 April 2020	44,255
Impairment reversal (see note 3)	33,049
	<hr/>
At 31 March 2021	77,304
	<hr/>

Direct subsidiary undertakings

The following were direct subsidiary undertakings of the company:

Name	Principal activity	Class of shares	Holding	Registered office key
Newco NHL UK (17) Limited	Holding company	Ordinary	100%	(1)
Newco UK 9000 Limited	Holding company	A Ordinary	95%	(1)
Newco UK 2017 Limited	Holding company	A Ordinary	95%	(1)
1060 South Broadway UK Limited	Holding company	A Ordinary	95%	(1)
200 North Green UK Limited	Holding company	A Ordinary	95%	(1)
Newco UK (ESP) 2019 Limited	Holding company	A Ordinary	95%	(1)
Newco UK (GER) 2019 Limited	Holding company	Ordinary	90%	(1)
The Hoxton (Southwark) Limited	Operating a hotel	A Ordinary	95%	(1)
EH Hotel 2018 Limited	Development of a hotel	A Ordinary	95%	(1)
Newco 8915 Limited	Development of a hotel	A Ordinary	95%	(1)
Norwich Holdings Limited	Residential property	Ordinary	100%	(9)
Newark (US) LLC	Residential property	Member units	100%	(3)

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

15. Fixed asset investments (continued)

Indirect subsidiary undertakings

The following were indirect subsidiary undertakings of the company:

Name	Principal activity	Class of shares	Holding	Registered office key
The Hoxton (Shoreditch) Limited	Operating a hotel	A & B Ordinary	100%*	(1)
WS Hotels Properties (Shoreditch) Limited	Dormant company	Ordinary	100%*	(1)
The Hoxton (Holborn) Limited	Operating a hotel	A & B Ordinary	100%*	(1)
The Hoxton (Amsterdam) UK Limited	Holding Company	A & B Ordinary	100%*	(1)
The Hoxton (Amsterdam) B.V.	Operating a hotel	Ordinary	100%*	(2)
The Hoxton (Williamsburg) Limited	Holding Company	A Ordinary	95%	(1)
The Hoxton (Williamsburg) LLC	Operating a hotel	Member units	95%	(3)
32 Sentier UK Limited	Holding company	A Ordinary	95%	(1)
The Hoxton (Paris) SARL	Operating a hotel	Ordinary	95%	(6)
Newco 9000 LLC	Holding company	Member units	95%	(3)
The Hoxton (Portland) LLC	Operating a hotel	Member units	95%	(4)
Newco 2017 LLC	Property owner	Member units	95%	(3)
The Hoxton (Downtown LA) LLC	Operating a hotel	Member units	95%	(3)
1060 South Broadway Holdco LLC	Holding Company	Member units	95%	(3)
1060 South Broadway Trust DST	Holding Trust	Member units	95%	(3)
The Hoxton (Downtown LA) R-B LLC	R&B operator	Member units	95%	(3)
200 North Green LLC	Holding company	Member units	95%	(3)
The Hoxton (Chicago) LLC	Operating a hotel	A Member units	81%	(5)
Diagonal Holdco, S.L.U	Holding company	Ordinary	95%	(7)
Diagonal Bidco S.L.U.	Holding company	Ordinary	95%	(7)
Middlebury Invest S.L.U.	Operating a hotel	Ordinary	95%	(7)
Meineke Mark Hotel GmbH	Operating a hotel	A Ordinary	81%	(8)

Registered Office addresses

- (1) Third Floor, 20 Old Bailey, London, United Kingdom, EC4M 7AN
- (2) Herengracht 225, 1016 BJ Amsterdam.
- (3) Corporation Trust Center, 1209 Orange Street, Wilmington.
- (4) CT Corporation System, 780 Commercial Street, STE 100, Salem, OR 97301, USA.
- (5) National Registered Agents, Inc, 160 Greentree Drive, Suite 101, Dover, Delaware 19904, County of Kent, USA.
- (6) C/O Macofi, 267 Boulevard Pereire, 75017 Paris.
- (7) Avenida Diagonal, 20508018 Barcelona, Spain
- (8) Mazars GmbH & Co. KG, Alt-Moabit 2, 10557 Berlin, Germany
- (9) 28 Esplanade, St Helier, Jersey, JE2 3QA

* During the year, the group increased its holding in the above companies from 95% to 100%. The remaining shares were acquired from a related party.

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

15. Fixed asset investments (continued)

At 31 March 2021, Norlake Hospitality Limited held 100% of the A Ordinary Shares of its directly held subsidiaries, with the exception of Newco UK (GER) 2019 Limited. This represents 95% of the ordinary share capital. The remaining 5% of the ordinary share capital of the directly held subsidiaries is represented by B Ordinary Shares and has been issued to a related party. The B shares hold voting rights equivalent to their percentage of the voting capital, but do not carry dividend rights. The economic rights of the B shares as at 31 March 2021 are limited to the value of the amounts payable to related parties disclosed within creditors.

During the year, the group acquired the B shares for The Hoxton (Shoreditch) Limited, The Hoxton (Holborn) Limited and The Hoxton (Amsterdam) UK Limited from a related party for £4,741,000.

Norlake Hospitality Limited held 89.9% of the Ordinary Shares in Newco UK (GER) 2019 Limited. The remaining 10% of the Ordinary Shares are held by a related party. Newco UK (GER) Limited held 89.9% of the A Ordinary Shares in Meineke Mark Hotel GmbH, with the remaining 10% of the A Ordinary Shares held by a related party.

At 31 March 2021, 200 North Green LLC (in which the group has a 95% holding) held 100% of the A member units of The Hoxton (Chicago) LLC, representing 84.8% of the total member units. The remaining 15.2% of the member units is represented by B member units and has been issued to a related party. The B member units do not carry any rights to dividends, but do carry a right to a share of the increase in value of The Hoxton (Chicago) LLC when sold back to the group.

16. Long term deposits

Long term deposits relate to cash held in bank accounts in accordance with the terms of Newco NHL UK (17) Limited and The Hoxton (Southwark) Limited's external loan facilities.

17. Stocks

	31 March 2021 £'000	31 March 2020 £'000
Finished goods and goods for resale	811	1,979

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

Stock recognised in cost of sales during the year as an expense was £3,544,000 (31 March 2020 - £19,076,000).

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

18. Debtors

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Due after more than one year				
Amounts owed by group undertakings	-	-	115,122	148,576
Due within one year				
Trade debtors	553	3,008	-	-
Amounts owed by group undertakings	2	-	628,662	576,311
Other amounts owed by group undertakings	-	-	47	14
Amounts owed by related parties	26,483	22,149	26,483	21,745
Other debtors	1,857	4,540	754	427
Prepayments and accrued income	2,665	2,391	32	27
Corporation tax recoverable	748	-	-	1,354
VAT recoverable	2,189	990	32	-
	34,497	33,078	771,132	748,454

Amounts owed to the company by group undertakings due in more than one year are secured on the land and buildings owned by the group undertaking, is subject to a floating interest rate of the Bank of England base rate plus a margin of 2.5% and is due for repayment four years following the completion of the group undertaking's development project in September 2019.

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

Other amounts owed to the company by group undertakings are non interest bearing and are repayable on demand.

Amounts owed by related parties at 31 March 2021 are interest bearing at a fixed interest rate of 4%, are unsecured and fall due within one year.

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

19. Creditors: Amounts falling due within one year

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Trade creditors	2,461	4,458	25	-
Other amounts owed to group undertakings	821	616	10,260	10,122
Corporation tax	-	-	423	-
Other taxation and social security	228	513	-	18
Other creditors	1,577	4,858	3	5
Accruals and deferred income	9,741	14,312	411	245
Amounts payable to related parties	-	4,602	-	4,602
Other amounts payable to related parties	-	518	-	79
Bank loans (net of arrangement fees)	271,396	229,776	-	-
Amounts owed to parent company	137,304	234,825	137,304	234,825
	<u>423,528</u>	<u>494,478</u>	<u>148,426</u>	<u>249,896</u>

Other amounts owed by the company to group undertakings relate to group relief payments and are non interest bearing and are repayable on demand.

Amounts payable to related parties include the fair value of the put option liability as described in notes 15 and 24.

The bank loans accrue interest at a rate of LIBOR/EURIBOR plus 1.75%. Interest is payable quarterly in arrears.

On 25 November 2020, the group's loan facility was refinanced at comparable market rates. Additionally on this date a subsidiary of Norlake Hospitality Limited increased its debt facility by £50.0m.

On 23 December 2021 the group's loan facility was refinanced at comparable market rates. The new loan facility is repayable in full in December 2023.

Bank loans are shown net of unamortised fees totalling £956,000 at 31 March 2021 (31 March 2020 - £1,283,000). The company is a cross-guarantor to a £272.3m bank loan facility taken out by a group subsidiary, Newco NHL UK (17) Limited. The available loan facility was fully drawn down at the period end.

The comparative period balance for Creditors due within one year has been restated to include amounts owed to parent company as, despite receiving confirmation that this balance would not be recalled, this balance was legally repayable on demand as at the 31 March 2020. This has had a corresponding impact on the creditors due after more than one year balance. There is no impact on net assets for either the group nor the company.

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

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

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Other loans	9,079	4,533	-	-
Amounts payable to related parties	2,191	999	2,191	999
	<u>11,270</u>	<u>5,532</u>	<u>2,191</u>	<u>999</u>

Amounts owed to related parties include the fair value of the put option liability as described within notes 15 and 24.

Included within other loans is an amount owed of \$5.5m due from a subsidiary of the group. The loan is interest bearing at a fixed interest rate of 8%, is unsecured and has a maturity of more than one year.

Additionally, included within other loans falling due after more than one year are Paycheck Protection Program (PPP) loans issued to subsidiaries of the group during the year of \$7.6m. The loans are interest bearing at a fixed interest rate of 1%, are unsecured and have a maturity of between two and five years. During the year \$0.7m was forgiven and after the year end \$4.4m of the loans was forgiven.

21. Financial instruments

	Group 31 March 2021 £'000	Group 31 March 2020 £'000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>43,996</u>	<u>57,354</u>
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss	(2,191)	(5,601)
Financial liabilities measured at amortised cost	<u>(420,584)</u>	<u>(254,325)</u>
	<u>(422,775)</u>	<u>(259,926)</u>

Financial assets measured at amortised cost comprise trade and other debtors, amounts owed by group and related undertakings, cash and cash equivalents and long term deposits.

Derivative financial instruments measured at fair value through profit or loss comprise the fair value of the put option liability as described in notes 15 and 24.

Financial liabilities measured at amortised cost comprise trade and other creditors, loans from banks and related parties and accrued expenses.

The comparative was restated to include loans from banks.

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

22. Deferred taxation

Group	31 March 2021 £'000	31 March 2020 £'000
At beginning of year	(34,922)	(22,016)
Charged to the income statement	(1,813)	(2,735)
Exchange adjustments	136	303
Arising on business combinations	(9,925)	(10,474)
	<hr/>	<hr/>
At end of year	(46,524)	(34,922)

The provision for deferred taxation is made up as follows:

Group	31 March 2021 £'000	31 March 2020 £'000
Accelerated capital allowances	(9,506)	(7,920)
Short term timing differences	10	101
Deferred tax arising on business combinations	(37,028)	(27,103)
	<hr/>	<hr/>
	(46,524)	(34,922)

23. Share capital

	31 March 2021 £'000	31 March 2020 £'000
Allotted, called up and fully paid		
201 (31 March 2020 – 201) ordinary shares of £1.00	-	-
260,000,000 (31 March 2020 – 100,000,000) preference share of £1.00	260,000	100,000
405,000,000 (31 March 2020 – 255,000,000) preference shares of \$1.00	314,523	195,450
	<hr/>	<hr/>

Share capital represents the nominal value of the shares issued. Preference shares are entitled to 0.01% of the aggregate amount of any dividend paid to the holders of the ordinary shares. Upon return of capital or liquidation, distributions are applied to preference share holders in priority to any payment to the holders of ordinary shares. Preference shares hold no voting rights with the exception of resolutions in relation to winding up of the company, appointing an administrator and reducing the capital of the company.

During the year, the company issued £260m and \$150m of redeemable preference shares, at the option of the company, to Bharti Global Limited, with proceeds from this share issue used to repay an outstanding loan with Indian Continent Investment Limited ('ICIL'), a parent group company, as well as redeem £100m of preference shares owned by ICIL.

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

24. Reserves

Other reserve

The other reserve represents the nominal value of the B shares issued by certain subsidiaries of the company to a related party. These B shares entitle the shareholder to 5% of the voting rights in these subsidiaries but do not carry any rights to dividends and as such there is no non-controlling interest arising from the issue of the B shares.

Non-controlling interests

Non-controlling interests represents the nominal value of the B member units, representing 15.2% of The Hoxton (Chicago) LLC's share capital, issued by The Hoxton (Chicago) LLC to related parties. These B member units have a proportional share of voting rights. The member units do not carry any rights to dividends but do carry a right to a share of the increase in value of The Hoxton (Chicago) LLC when sold back to the group.

Additionally, it also represents a 10.1% interest upon acquisition of Meineke Mark Hotel GmbH, and a 10.1% interest in the results of Newco (GER) UK Limited.

Foreign exchange reserve

Foreign exchange reserve represents cumulative gains and losses arising on the retranslation of the net assets of overseas operations into the group presentational currency.

Capital contribution reserve

Capital contribution reserve arose on the provision of interest-free loans from the parent company to the group, being the excess of the amount contributed by the parent company over the fair value of the loan at the date of issue.

Merger Reserve

Merger reserve arose on past business combinations that were accounted for as mergers in accordance with UK GAAP as applied at that time.

(Accumulated losses)/retained earnings

(Accumulated losses)/retained earnings represents cumulative profits or losses, net of dividends paid and other adjustments.

25. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £48,242,000 (31 March 2020 - £19,039,000).

The capital commitments at both period ends are in relation to the group's development projects as well as refurbishment and extension projects being undertaken at the group's trading hotels.

26. Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension scheme charge for the year represents contributions payable by the group to the fund and amounted to £385,000 (31 March 2020 - £796,000). Contributions amounting to £32,000 (31 March 2020 - £264,000) were payable to the fund at the year end and are included in other creditors.

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

27. Commitments under operating leases

At 31 March 2021, the group had future minimum lease payments under non-cancellable operating leases as follows:

	31 March 2021 £'000	31 March 2020 £'000
Not later than 1 year	1,732	1,081
Later than 1 year and not later than 5 years	5,566	4,324
Later than 5 years	90,140	98,423
	<hr/>	<hr/>
	97,438	103,828
	<hr/>	<hr/>

28. Related party transactions

Group and company

At 31 March 2021, the company was due £743,784,000 from its subsidiaries (31 March 2020 - £756,349,000) in respect of interest bearing loans. These loans are included in amounts owed by group undertakings due after and within one year. Interest of £28,550,000 was charged by the company to its subsidiaries during the year in respect of these loans (31 March 2020 - £30,212,000).

At 31 March 2021, the group owed fellow subsidiaries of the Bharti Global Limited group £821,000 (31 March 2020 - £616,000) in respect of group relief payments.

The company further charged its subsidiaries £927,000 during the year in respect of management fees (31 March 2020 - £750,000). At 31 March 2021, the company was owed £310,000 from its subsidiaries in respect of these fees (31 March 2020 - £437,000).

The group and company are related to Ennismore International Management Limited (Ennismore) by virtue of the fact that Ennismore is controlled by a director of Norlake Hospitality Limited.

During the year, Ennismore charged the group £3,656,000 (31 March 2020 - £15,527,000) in respect of management and other services and £4,511,000 (31 March 2020 - £11,511,000) in respect of expense recharges. At 31 March 2021, the group was owed £27,000 (31 March 2020 - £53,000 owed to) from Ennismore in respect of these transactions.

At 31 March 2021, the company was due £18,703,000 from Ennismore (31 March 2020 - £15,450,000) in respect of an interest bearing loan. This loan is included in amounts owed by related parties. Interest of £530,000 was charged by the company to Ennismore during the year in respect of this loan (31 March 2020 - £408,000).

The group and company are also related to Chicago R-B LLC (Chicago R-B) a subsidiary of Ennismore at the balance sheet date.

During the year, Chicago R-B charged the group £302,000 (31 March 2020 - £29,000) in respect of operator fees. At 31 March 2021, the group owed £272,000 (31 March 2020 - £230,000) to Chicago R-B in respect of these transactions.

A number of the group's subsidiaries have issued B shares to a director of Norlake Hospitality Limited in previous years as outlined within notes 3, and 15.

As at 31 March 2020, the liability recognised in respect of the B shares was £2,191,000 (31 March 2020 - £5,601,000) which is included in amounts payable to related parties.

Norlake Hospitality Limited

Notes to the financial statements (continued) for the Year Ended 31 March 2021

28. Related party transactions (continued)

During the year, put options relating to B shares were exercised by a related party and the B shares were acquired by a subsidiary of the group for £4,741,000.

The group and company are related to Newshelf 2019 (GER) Limited (Newshelf) by virtue of the fact that Newshelf is controlled by a director of Norlake Hospitality Limited.

At 31 March 2021, the company was due £6,272,000 from Newshelf (31 March 2020 - £6,295,000) in respect of an interest bearing loan. This loan is included in amounts owed by related parties.

Interest of £248,000 was charged by the company to Newshelf during the year in respect of this loan (31 March 2020 - £60,000).

Key management personnel include all directors and a number of senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provided to the group was £226,000 (31 March 2020 - £1,054,000).

29. Events after the reporting date

On 6 October 2021 40,000,000 \$1 Redeemable Preferred Ordinary Shares were redeemed by Indian Continent Investment Limited. Additionally, 40,000,000 \$1 Redeemable Preferred Ordinary Shares were issued to Bharti Global Limited.

On 3 December 2021 the group agreed a new loan facility for £200m. The new loan facility is secured by fixed and floating charges over the properties, assets and undertakings of its operating subsidiaries Newco 8915 Limited, EH Hotel 2018 Limited, Meineke Mark Hotel GmbH and Middlebury Invest, S.L.U. and is repayable in full in May 2024.

On 23 December 2021 the group's existing loan facility was refinanced at comparable market rates. The new loan facility is repayable in full in December 2023.

30. Controlling party

The company is a subsidiary undertaking of Bharti Global Limited, a company incorporated in Jersey. The ultimate parent company is Bharti Overseas Private Limited. In the opinion of the directors there is no ultimate controlling party.

The largest and smallest 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 from Ministry of Corporate affairs, India.