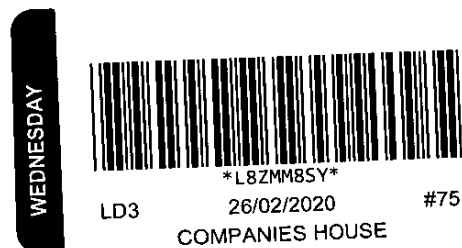


COMPANY REGISTRATION NUMBER: 10802104

Shepherd Cox Hotels Holdings Limited
Financial Statements
31 March 2019



BAKER FRIEND AUDIT LIMITED

Chartered accountants & statutory auditor
2nd Floor
32-33 Gosfield Street
Fitzrovia
London
W1W 6HL

Shepherd Cox Hotels Holdings Limited

Financial Statements

Year ended 31 March 2019

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Shepherd Cox Hotels Holdings Limited

Officers and Professional Advisers

The board of directors	Mr LW Bramzell Mr ND Carlile
Company secretary	FM Secretaries Limited
Registered office	2nd Floor 32-33 Gosfield Street Fitzrovia London W1W 6HL
Auditor	Baker Friend Audit Limited Chartered accountants & statutory auditor 2nd Floor 32-33 Gosfield Street Fitzrovia London W1W 6HL

Shepherd Cox Hotels Holdings Limited

Strategic Report

Year ended 31 March 2019

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the period was the ownership of a number of subsidiary companies who in turn own and manage hotels in the UK. The consolidated group financial statements include Hotels owned by its subsidiaries.

The Group was incorporated on 5 June 2017. Since incorporation and during this year of account the Group acquired 9 hotels, two of which were acquired in the year from 1 April 2018. Despite the losses incurred in the year to 31 March 2019 the Group has settled following the swift expansion into steady growth to profitability.

The Consolidated Statement of Financial Position reflects the acquisitions which took place in the year. The tangible assets have increased from £13.7m to £20.3m. These acquisition have been funded by a combination of cash and borrowing and overall the net asset position has slightly increased by £25k.

RESULTS AND DIVIDENDS

The loss for the period, after taxation, amounted to £1,711,373.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company uses various financial instruments. These include loans from shareholders, bank loans and various items, such as trade debtors and trade creditors, which arise directly from its operations.

The main purpose of these financial instruments is to fund the acquisition of hotels, maintain and improve the fabric and fittings of those hotels and to fund working capital when required by its subsidiaries.

The company is constantly seeking to reduce the costs of these financial instruments and there are currently significant plans in place to acquire further hotel assets and at the same time restructure the present loans to significantly reduce the cost of borrowing.

The existence of these financial instruments exposes the company to a number of financial risks, the principal ones of which are liquidity risk and credit risk.

This report was approved by the board of directors on 25 February 2020 and signed on behalf of the board by:



Mr LW Bramzell
Director

Registered office:
2nd Floor
32-33 Gosfield Street
Fitzrovia
London
W1W 6HL

Shepherd Cox Hotels Holdings Limited

Directors' Report

Year ended 31 March 2019

The directors present their report and the financial statements of the group for the year ended 31 March 2019.

Principal activities

The principal activity of the company is a holding company for a group of hotels.

Directors

The directors who served the company during the year were as follows:

Mr LW Bramzell

Mr ND Carlile

Mr E Webster

(Resigned 12 March 2019)

Dividends

No dividends have been paid during the year and the directors do not recommend the payment of a final dividend.

Future developments

Following the year end and the date of this report, the group has acquired three further hotels, The Bridge Hotel in Wetherby, the Charlton Kings Hotel in Charlton and the Olde Barn in Grantham. Other acquisitions are still in the pipeline and new financing agreements are partly finalised to fund these purchases and as a result of the favourable terms achieved, future interest costs will be reduced.

Employment of disabled persons

The Group is committed to an active equal opportunities policy from recruitment and selection through training and development, performance reviews and promotion to retirement. It is our policy to promote an environment free from discrimination, harassment and victimisation where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. We are an organisation which uses everyone's talents and abilities and where diversity is valued. It is our policy that people with disabilities should have full and fair consideration for all vacancies. We actively retrain and adjust their environment where possible to allow them to maximise their potential.

Employee involvement

We remain committed to employee involvement throughout the business. Employees are kept well informed of the performance and strategy of the Group through briefings, regular meetings and email.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 30 to the financial statements.

Shepherd Cox Hotels Holdings Limited

Directors' Report *(continued)*

Year ended 31 March 2019

Directors' responsibilities statement

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that so far as they are aware, there is no relevant audit information (as defined by Section 418(3) of the Companies Act 2006) of which the company's auditors are unaware. They have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

Shepherd Cox Hotels Holdings Limited

Directors' Report *(continued)*

Year ended 31 March 2019

This report was approved by the board of directors on 25 February 2020 and signed on behalf of the board by:



Mr LW Bramzell
Director

Registered office:
2nd Floor
32-33 Gosfield Street
Fitzrovia
London
W1W 6HL

Shepherd Cox Hotels Holdings Limited

Independent Auditor's Report to the Members of Shepherd Cox Hotels Holdings Limited

Year ended 31 March 2019

Opinion

We have audited the financial statements of Shepherd Cox Hotels Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Shepherd Cox Hotels Holdings Limited

Independent Auditor's Report to the Members of Shepherd Cox Hotels Holdings Limited *(continued)*

Year ended 31 March 2019

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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 or the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Shepherd Cox Hotels Holdings Limited

Independent Auditor's Report to the Members of Shepherd Cox Hotels Holdings Limited *(continued)*

Year ended 31 March 2019

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's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Jeffrey Baker (Senior Statutory Auditor)

For and on behalf of
Baker Friend Audit Limited
Chartered accountants & statutory auditor
2nd Floor
32-33 Gosfield Street
Fitzrovia
London
W1W 6HL

25 February 2020

Shepherd Cox Hotels Holdings Limited

Consolidated Statement of Comprehensive Income

Year ended 31 March 2019

	Note	Year to 31 Mar 19 £	Period from 5 Jun 17 to 31 Mar 18 £
Turnover	4	8,513,037	2,831,527
Cost of sales		1,831,333	556,791
Gross profit		6,681,704	2,274,736
Administrative expenses		7,655,408	2,065,593
Operating (loss)/profit	5	(973,704)	209,143
Other interest receivable and similar income	9	4	—
Interest payable and similar expenses	10	1,311,471	912,197
Loss before taxation		(2,285,171)	(703,054)
Tax on loss	11	(573,798)	(15,499)
Loss for the financial year		(1,711,373)	(687,555)
Revaluation of tangible assets		1,145,016	—
Tax relating to components of other comprehensive income		(57,797)	—
Other comprehensive income for the year		1,087,219	—
Total comprehensive income for the year		(624,154)	(687,555)
Loss for the financial year attributable to:			
The owners of the parent company		(1,659,427)	(633,460)
Non-controlling interests		(51,946)	(54,095)
		(1,711,373)	(687,555)
Total comprehensive income for the year attributable to:			
The owners of the parent company		(705,501)	(633,460)
Non-controlling interests		81,347	(54,095)
		(624,154)	(687,555)

All the activities of the group are from continuing operations.

The notes on pages 16 to 36 form part of these financial statements.

Shepherd Cox Hotels Holdings Limited

Consolidated Statement of Financial Position

31 March 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	13	1,788,766	452,596
Tangible assets	14	20,340,439	13,743,767
		<u>22,129,205</u>	<u>14,196,363</u>
Current assets			
Stocks	16	78,466	57,032
Debtors	17	1,145,265	584,647
Cash at bank and in hand		49,871	336,896
		<u>1,273,602</u>	<u>978,575</u>
Creditors: amounts falling due within one year	18	6,334,973	2,808,925
Net current liabilities		<u>5,061,371</u>	<u>1,830,350</u>
Total assets less current liabilities		17,067,834	12,366,013
Creditors: amounts falling due after more than one year	19	15,010,550	10,822,491
Provisions	20	647,871	158,903
Net assets		<u>1,409,413</u>	<u>1,384,619</u>
Capital and reserves			
Called up share capital	24	6,000	6,000
Share premium account	25	1,090,371	1,090,371
Revaluation reserve	25	953,926	—
Profit and loss account	25	(1,090,734)	19,037
Equity attributable to the owners of the parent company		<u>959,563</u>	<u>1,115,408</u>
Non-controlling interests		<u>449,850</u>	<u>269,211</u>
		<u>1,409,413</u>	<u>1,384,619</u>

These financial statements were approved by the board of directors and authorised for issue on 25 February 2020, and are signed on behalf of the board by:



Mr LW Bramzell
Director

Company registration number: 10802104

The notes on pages 16 to 36 form part of these financial statements.

Shepherd Cox Hotels Holdings Limited

Company Statement of Financial Position

31 March 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	14	2,309	1,303
Investments	15	2,138,608	10,120,834
		<u>2,140,917</u>	<u>10,122,137</u>
Current assets			
Debtors	17	7,707,606	42,898
Cash at bank and in hand		86	177
		<u>7,707,692</u>	<u>43,075</u>
Creditors: amounts falling due within one year	18	854,673	2,646,885
Net current assets/(liabilities)		<u>6,853,019</u>	<u>(2,603,810)</u>
Total assets less current liabilities		<u>8,993,936</u>	<u>7,518,327</u>
Creditors: amounts falling due after more than one year	19	7,520,079	6,000,000
Net assets		<u>1,473,857</u>	<u>1,518,327</u>
Capital and reserves			
Called up share capital	24	6,000	6,000
Share premium account	25	1,090,371	1,090,371
Profit and loss account	25	377,486	421,956
Shareholders funds		<u>1,473,857</u>	<u>1,518,327</u>

The loss for the financial year of the parent company was £44,470 (2018: £785,382 profit).

These financial statements were approved by the board of directors and authorised for issue on 25 February 2020, and are signed on behalf of the board by:



Mr LW Bramzell
Director

Company registration number: 10802104

The notes on pages 16 to 36 form part of these financial statements.

Shepherd Cox Hotels Holdings Limited
Consolidated Statement of Changes in Equity
Year ended 31 March 2019

	Note	Called up share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £	Equity attributable to the owners of the parent company £	Non-control- ling interests £	Total £
At 5 June 2017		-	-	-	-	-	-	-
Loss for the year		-	-	-	(633,460)	(633,460)	(54,095)	(687,555)
Total comprehensive income for the year		-	-	-	(633,460)	(633,460)	(54,095)	(687,555)
Issue of shares		6,000	1,090,371	-	-	1,096,371	177	1,096,548
Dividends paid and payable	12	-	-	-	(363,426)	(363,426)	-	(363,426)
Acquisition of subsidiary with minority interest		-	-	-	-	-	189,229	189,229
Share premium introduced by minority shareholders		-	-	-	1,015,923	1,015,923	133,900	1,149,823
Total investments by and distributions to owners		6,000	1,090,371	-	652,497	1,748,868	323,306	2,072,174
At 31 March 2018		6,000	1,090,371	-	19,037	1,115,408	269,211	1,384,619

The consolidated statement of changes in equity
continues on the following page.

The notes on pages 16 to 36 form part of these financial statements.

Shepherd Cox Hotels Holdings Limited
Consolidated Statement of Changes in Equity (continued)
Year ended 31 March 2019

	Note	Called up share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £	Equity attributable to the owners of the parent company £	Non-control- ling interests £	Total £
Loss for the year					(1,659,427)	(1,659,427)	(51,946)	(1,711,373)
Other comprehensive income for the year:								
Revaluation of tangible assets	14	-	-	1,145,016	-	1,145,016	-	1,145,016
Minority interest in other comprehensive income		-	-	(133,293)	-	(133,293)	133,293	-
Tax relating to components of other comprehensive income	11	-	-	(57,797)	-	(57,797)	-	(57,797)
Total comprehensive income for the year		-	-	953,926	(1,659,427)	(705,501)	81,347	(624,154)
Dividends paid and payable	12	-	-	-	(13,000)	(13,000)	-	(13,000)
Acquisition of subsidiary with minority interest	26	-	-	-	-	-	99,292	99,292
Share premium introduced by minority shareholders		-	-	-	562,656	562,656	-	562,656
Total investments by and distributions to owners		-	-	-	549,656	549,656	99,292	648,948
At 31 March 2019		6,000	1,090,371	953,926	(1,090,734)	959,563	449,850	1,409,413

The notes on pages 16 to 36 form part of these financial statements.

Shepherd Cox Hotels Holdings Limited

Company Statement of Changes in Equity

Year ended 31 March 2019

		Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 5 June 2017		—	—	—	—
Profit for the year		—	—	785,382	785,382
Total comprehensive income for the year		—	—	785,382	785,382
Issue of shares		6,000	1,090,371	—	1,096,371
Dividends paid and payable	12	—	—	(363,426)	(363,426)
Total investments by and distributions to owners		6,000	1,090,371	(363,426)	732,945
At 31 March 2018		6,000	1,090,371	421,956	1,518,327
Loss for the year		—	—	(44,470)	(44,470)
Total comprehensive income for the year		—	—	(44,470)	(44,470)
At 31 March 2019		6,000	1,090,371	377,486	1,473,857

The notes on pages 16 to 36 form part of these financial statements.

Shepherd Cox Hotels Holdings Limited

Consolidated Statement of Cash Flows

Year ended 31 March 2019

	2019 £	2018 £
Cash flows from operating activities		
Loss for the financial year	(1,711,373)	(687,555)
<i>Adjustments for:</i>		
Depreciation of tangible assets	282,924	77,018
Impairment of tangible assets	405,250	–
Amortisation of intangible assets	236,911	77,579
Other interest receivable and similar income	(4)	–
Interest payable and similar expenses	1,311,471	912,197
Gains on disposal of tangible assets	(1,085,560)	(1,445,000)
Tax on (loss)/profit	(573,798)	(15,499)
Accrued expenses	422,595	296,575
Bad debts written off	33,967	–
<i>Changes in:</i>		
Stocks	(21,434)	(25,779)
Trade and other debtors	400,051	(210,843)
Trade and other creditors	(731,956)	(660,125)
Cash generated from operations	(1,030,956)	(1,681,432)
Interest paid	(1,234,465)	(912,197)
Net cash used in operating activities	<u>(2,265,421)</u>	<u>(2,593,629)</u>
Cash flows from investing activities		
Purchase of tangible assets	(2,062,902)	(1,469,637)
Proceeds from sale of tangible assets	2,814,417	2,695,000
Acquisition of subsidiaries	(3,459,231)	(2,778,971)
Net cash used in investing activities	<u>(2,707,716)</u>	<u>(1,553,608)</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	–	1,156,000
Proceeds from issue of shares classed as financial liabilities	1,325,000	–
Proceeds from borrowings	3,374,113	3,694,776
Proceeds from loans from group undertakings	–	(3,217)
Dividends paid	(13,000)	(363,426)
Net cash from financing activities	<u>4,686,113</u>	<u>4,484,133</u>
Net (decrease)/increase in cash and cash equivalents	(287,024)	336,896
Cash and cash equivalents at beginning of year	<u>336,896</u>	<u>–</u>
Cash and cash equivalents at end of year	<u>49,872</u>	<u>336,896</u>

The notes on pages 16 to 36 form part of these financial statements.

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements

Year ended 31 March 2019

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is 2nd Floor, 32-33 Gosfield Street, Fitzrovia, London, W1W 6HL.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss. The accounts have been prepared for a 12 month period, and comparative figures cover a period from 5 June 2017 to 31 March 2018.

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The financial statements consolidate the financial statements of the Group and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes on an acquisition accounting basis.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not included its individual statement of comprehensive income.

Non-controlling interests

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Freehold properties are revalued on a regular basis in line with reports obtained from professionally qualified valuers.

Depreciation of tangible and intangible fixed assets has been based on estimated useful lives and residual values deemed appropriate by the Directors. Estimated useful lives and residual values are reviewed annually and will be revised as appropriate. There is no depreciation on the freehold since the impact of a depreciation will be not material given the importance of the residual value (building). The land is not depreciated.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for services rendered, stated net of discounts and of Value Added Tax. Revenue from hotel operations is recognised when rooms are occupied and when food and beverages are sold.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Goodwill

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

3. Accounting policies *(continued)*

Goodwill *(continued)*

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed not to exceed ten years.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill	- 10% straight line
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If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Fixtures and fittings	- 25% straight line
Motor vehicles	- 25% reducing balance

No depreciation is provided on freehold land and buildings which are regularly revalued.

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

3. Accounting policies *(continued)*

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument. Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics. Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

3. Accounting policies *(continued)*

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Business combinations

Business combinations are accounted for using the purchase method.

The cost of a business combination is measured as the aggregate of the fair values, at the acquisition date, of assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the business combination.

Where control is achieved in stages, the cost of the business combination is the aggregate of the fair values of the assets given, liabilities incurred or assumed, and equity instruments issued at the date of each transaction in the series.

Where the business combination requires an adjustment to the cost contingent on future events, the estimated amount of that adjustment is included in the cost of the combination at the acquisition date providing it is probable and can be measured reliably. Where it is not recognised *at the acquisition date but subsequently becomes probable and can be measured reliably*, the additional consideration is treated as an adjustment to the cost of the combination.

4. Turnover

Turnover arises from:

	Year to 31 Mar 19 £	Period from 5 Jun 17 to 31 Mar 18 £
Hotel operations	8,280,781	2,696,784
Management fees	232,256	134,743
	<u>8,513,037</u>	<u>2,831,527</u>

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

5. Operating profit

Operating profit or loss is stated after charging/crediting:

	Year to 31 Mar 19 £	Period from 5 Jun 17 to 31 Mar 18 £
Amortisation of intangible assets	236,911	77,579
Depreciation of tangible assets	282,924	77,018
Impairment of tangible assets recognised in:		
Administrative expenses	405,250	–
Gains on disposal of tangible assets	(1,085,560)	(1,445,000)
Impairment of trade debtors	33,967	2,770
	<u> </u>	<u> </u>

The figure of £405,250 for impairment of tangible assets relates to the revaluation of the freehold of two of the group's hotels as at 31 March 2019.

6. Auditor's remuneration

	Year to 31 Mar 19 £	Period from 5 Jun 17 to 31 Mar 18 £
Fees payable for the audit of the financial statements	40,000	30,000
	<u> </u>	<u> </u>

7. Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2019 No.	2018 No.
Management staff	3	11
Hotel staff	289	136
	<u>292</u>	<u>147</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	Year to 31 Mar 19 £	Period from 5 Jun 17 to 31 Mar 18 £
Wages and salaries	3,387,814	915,474
Social security costs	178,654	–
Other pension costs	32,242	1,007
	<u>3,598,710</u>	<u>916,481</u>

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	Year to 31 Mar 19 £	Period from 5 Jun 17 to 31 Mar 18 £
Remuneration	—	1,000

9. Other interest receivable and similar income

	Year to 31 Mar 19 £	Period from 5 Jun 17 to 31 Mar 18 £
Interest on cash and cash equivalents	4	—

10. Interest payable and similar expenses

	Year to 31 Mar 19 £	Period from 5 Jun 17 to 31 Mar 18 £
Interest on debenture loans	1,093,232	744,612
Interest on banks loans and overdrafts	98,386	476
Dividends paid on shares classed as debt	79,333	—
Other interest payable and similar charges	40,520	167,109
	<u>1,311,471</u>	<u>912,197</u>

11. Tax on (loss)/profit

Major components of tax income

	Year to 31 Mar 19 £	Period from 5 Jun 17 to 31 Mar 18 £
Current tax:		
UK current tax income	1,305	(15,499)
Adjustments in respect of prior periods	(13,946)	—
Total current tax	<u>(12,641)</u>	<u>(15,499)</u>
Deferred tax:		
Origination and reversal of timing differences	(561,157)	—
Tax on (loss)/profit	<u>(573,798)</u>	<u>(15,499)</u>

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

11. Tax on (loss)/profit *(continued)*

Tax recognised as other comprehensive income or equity

The aggregate current and deferred tax relating to items recognised as other comprehensive income or equity for the year was £57,797 (2018: nil). This relates to the revaluation of freehold properties.

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	Year to 31 Mar 19 £	Period from 5 Jun 17 to 31 Mar 18 £
Loss on ordinary activities before taxation	(2,285,171)	(703,054)
Loss on ordinary activities by rate of tax	(434,191)	(127,869)
Adjustment to tax charge in respect of prior periods	27,892	—
Effect of expenses not deductible for tax purposes	59,240	14,740
Effect of capital allowances and depreciation	—	14,809
Utilisation of tax losses	(16,142)	—
Unused tax losses	(235,972)	82,821
Tax relating to consolidation adjustments	(18,654)	—
Effect of losses allocated against revaluation gains	44,028	—
Tax on (loss)/profit	<u>(573,799)</u>	<u>(15,499)</u>

12. Dividends

Equity dividends

	2019 £	2018 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	<u>13,000</u>	<u>363,426</u>

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

13. Intangible assets

Group	Goodwill £
Cost	
At 1 April 2018	530,175
Acquisitions through business combinations	1,573,081
At 31 March 2019	2,103,256
Amortisation	
At 1 April 2018	77,579
Charge for the year	236,911
At 31 March 2019	314,490
Carrying amount	
At 31 March 2019	1,788,766
At 31 March 2018	452,596

The company has no intangible assets.

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

14. Tangible assets

Group	Freehold property £	Short leasehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost						
At 1 Apr 2018	12,091,316	960,015	1,303	768,194	—	13,820,828
Additions	1,695,231	—	1,006	366,665	—	2,062,902
Disposals	(1,728,857)	—	—	—	—	(1,728,857)
Acquisitions through business combinations	2,131,980	—	—	1,095,585	28,875	3,256,440
Revaluations	3,198,473	89,985	—	—	—	3,288,458
At 31 Mar 2019	17,388,143	1,050,000	2,309	2,230,444	28,875	20,699,771
Depreciation						
At 1 Apr 2018	—	—	—	76,408	—	76,408
Charge for the year	—	—	—	273,769	9,155	282,924
At 31 Mar 2019	—	—	—	350,177	9,155	359,332
Carrying amount						
At 31 Mar 2019	17,388,143	1,050,000	2,309	1,880,267	19,720	20,340,439
At 31 Mar 2018	12,091,316	960,015	1,303	691,786	—	13,744,420
Company						Plant and machinery £
Cost						
At 1 April 2018						1,303
Additions						1,006
At 31 March 2019						2,309
Depreciation						
At 1 April 2018 and 31 March 2019						—
Carrying amount						
At 31 March 2019						2,309
At 31 March 2018						1,303

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

14. Tangible assets *(continued)*

Tangible assets held at valuation

In respect of tangible assets held at valuation, aggregate cost, depreciation and comparable carrying amount that would have been recognised if the assets had been carried under the historical cost model are as follows:

Group	Freehold property £	Short leasehold property £	Total £
At 31 March 2019			
Aggregate cost	15,718,858	1,330,000	17,048,858
Aggregate depreciation	—	—	—
Carrying value	<u>15,718,858</u>	<u>1,330,000</u>	<u>17,048,858</u>
At 31 March 2018			
Aggregate cost	12,091,317	1,330,000	13,421,317
Aggregate depreciation	—	—	—
Carrying value	<u>12,091,317</u>	<u>1,330,000</u>	<u>13,421,317</u>

The company has no tangible assets held at valuation.

15. Investments

The group has no investments.

Company	Shares in group undertaking s £
Cost	
At 1 April 2018	1,109,371
Additions	1,029,237
At 31 March 2019	<u>2,138,608</u>
Impairment	
At 1 April 2018 and 31 March 2019	—
Carrying amount	
At 31 March 2019	<u>2,138,608</u>
At 31 March 2018	<u>1,109,371</u>

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

15. Investments *(continued)*

Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

	Class of share	Percentage of shares held
Subsidiary undertakings		
Shepherd Cox Hotels (Chester) Ltd	Ordinary	100
Shepherd Cox Hotels (Chesterfield) Ltd	Ordinary	100
Shepherd Cox Hotels (Halifax) Ltd	Ordinary	96.646
Shepherd Cox Hotels (Northallerton) Ltd	Ordinary	80.521
Shepherd Cox Hotels (Manchester North) Ltd	Ordinary	100
Shepherd Cox Hotels (Sunderland) Ltd	Ordinary	99.502
Shepherd Cox Hotels (Banbury) Ltd	Ordinary	84.962
Nitestop Limited	Ordinary	100
ESA Leisure Ltd	Ordinary	84.962
Shepherd Cox Hotels (Chipping Campden) Ltd	Ordinary	84.962
Three Ways House Hotel Ltd	Ordinary	84.962
Classic Country Hotels Ltd	Ordinary	84.962
Shepherd Cox Hotels (Durham) Ltd	Ordinary	100
Shepherd Cox Hotels (Gateshead) Ltd	Ordinary	100
Shepherd Cox Drive Thru (Northallerton) Ltd	Ordinary	100

16. Stocks

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Raw materials and consumables	78,466	57,032	—	—

17. Debtors

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Trade debtors	680,893	367,776	—	—
Amounts owed by group undertakings	—	—	7,614,990	—
Prepayments and accrued income	215,661	165,602	92,616	19,331
Directors loan account	21,855	80	—	—
Other debtors	226,856	51,189	—	23,567
	<u>1,145,265</u>	<u>584,647</u>	<u>7,707,606</u>	<u>42,898</u>

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

18. Creditors: amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Debenture loans	2,430,625	1,675,000	—	1,675,000
Bank loans and overdrafts	40,991	88,245	—	—
Payments received on account	635,191	289,790	—	—
Trade creditors	677,438	441,029	72,442	35,925
Accruals and deferred income	746,065	323,470	92,762	30,000
Corporation tax	93,921	69,064	—	—
Social security and other taxes	969,945	241,439	61,060	12,092
Director loan accounts	—	18,171	—	18,171
Wages payable	8,319	9,490	4,179	80
Amounts owed to related companies	603,000	(522,174)	589,108	840,495
Other creditors	129,478	175,401	35,122	35,122
	<u>6,334,973</u>	<u>2,808,925</u>	<u>854,673</u>	<u>2,646,885</u>

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

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Debenture loans	9,128,738	6,000,000	7,520,079	6,000,000
Bank loans and overdrafts	4,556,812	4,822,491	—	—
Shares classed as financial liabilities	1,325,000	—	—	—
	<u>15,010,550</u>	<u>10,822,491</u>	<u>7,520,079</u>	<u>6,000,000</u>

Included within creditors: amounts falling due after more than one year is an amount of £3,233,021 (2018: £1,052,478) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

19. Creditors: amounts falling due after more than one year *(continued)*

The group has a loan of £1,430,370 (2018 - £1,518,616) from Lloyds Bank which is secured by way of:

- an unlimited debenture from Shepherd Cox Holdings Ltd
- a first legal charge over the freehold land and buildings at Wroxton House Hotel
- an unlimited debenture from ESA Leisure Ltd
- an omnibus guarantee and set off agreement among the Bank, Shepherd Cox Hotels Holdings Ltd, Shepherd Cox Hotels (Banbury) Ltd and ESA Leisure Ltd together with such other security as the Bank may from time to time hold in respect of the debts and liabilities of any guarantor to the Bank
- a deed of postponement or subordination from Shepherd Cox Hotels (Banbury) Ltd in respect of all loans to the company
- an unlimited debenture from Shepherd Cox Hotels (Banbury) Ltd

This loan bears interest at the bank base rate plus 1.9%

During the year, the group received a loan from Redwood Bank of £1,060,800, with a term of 20 years. The balance at the year end was £1,007,005. This loan bears interest at 6.24% over Bank of England Base Rate and is secured by way of a charge over the freehold of Comfort Inn, Sunderland.

During the year, the group also received a loan from NatWest Bank of £2.1m to finance the acquisition of Three Ways House Hotel Ltd. The balance outstanding at the year end is £2,034,670. This loan bears interest at 2.47% above the Bank's Base Rate. This loan is secured by way of:

- a guarantee for £2.1m supplied by Classic Country Hotels Ltd and Three Ways House Hotel Ltd.
- debentures issued by Classic Country Hotels Ltd, Three Ways House Hotel Ltd and Shepherd Cox Hotels (Chipping Campden) Ltd
- a first legal charge over the freehold property at Three Ways House Hotel, owned by Classic Country Hotels Ltd.

The company has a loan of £7,520,079 from Luqa Limited, a company incorporated in Malta. This loan is secured by way of a first charge over a number of the freehold properties owned by the group, and bears interest at 7% per annum.

Of this loan, £6,000,000 is due within 3 years and the remainder within 1 year.

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

20. Provisions

Group	Deferred tax (note 21) £
At 1 April 2018	333,866
Additions	303,966
Acquired through business combinations	10,039
At 31 March 2019	647,871

The company does not have any provisions.

The provisions included in the group accounts relate to deferred tax liabilities.

21. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Included in provisions (note 20)	<u>647,871</u>	<u>158,903</u>	<u>—</u>	<u>—</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Accelerated capital allowances	271,608	158,903	—	—
Revaluation of tangible assets	1,066,271	—	—	—
Unused tax losses	(690,008)	—	—	—
	<u>647,871</u>	<u>158,903</u>	<u>—</u>	<u>—</u>

22. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £32,242 (2018: £1,007).

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

23. Financial instruments

The carrying amount for each category of financial instrument is as follows:

Financial assets that are debt instruments measured at amortised cost

	Group 2019 £	2018 £
Financial assets that are debt instruments measured at amortised cost	730,764	704,672

Financial liabilities measured at amortised cost

	Group 2019 £	2018 £
Financial liabilities measured at amortised cost	16,834,604	13,026,765

24. Called up share capital

Issued, called up and fully paid

	2019		2018	
	No.	£	No.	£
Amounts presented in equity:				
Ordinary A Shares shares of £1 each	5,700	5,700	5,700	5,700
Ordinary B Shares shares of £1 each	300	300	300	300
	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>
Amounts presented in liabilities:				
Preference shares of £1 each	1,325,000	1,325,000	—	—

During the year, Shepherd Cox Hotels (Durham) Ltd, a subsidiary of the company, issued 1,325,000 redeemable preference shares which have been classified as debt in the financial statements. These shares carry cumulative preferred dividend rights, and are redeemable at any date after 27 January 2022. No premium is payable on redemption.

The number of shares outstanding at the year end date for all other classes of shares is consistent with the prior period.

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

24. Called up share capital *(continued)*

During the year, 5,700 Ordinary A Shares and 300 Ordinary B Shares were in issue.

The rights of the Ordinary A Shareholders are as follows: Each share has full rights in the company with respect to voting, dividends and distributions. Where an A Shareholder owns more than 20% of the total issued share capital of the Company, they shall be entitled to appoint a Director to the Board.

The rights of the Ordinary B Shareholder is as follows: Ordinary B Shareholders have the right to 5% of all dividends declared by the Company, 5% of the capital of the Company on the winding-up, the right to vote on any Shareholder Resolution (such vote to carry the weight of 5% of the total issued share capital of the Company) and they also have the right to appoint a B Director. Save as expressed above, the further rights of the A Share and B Share shall rank parri passu.

25. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account - This reserve records retained earnings and accumulated losses.

26. Business combinations

Acquisition of Three Ways House Hotel Ltd

On 15 August 2018, the group acquired 100% of the share capital of Three Ways House Hotel Ltd and its subsidiary Classic Country Hotels Ltd. Classic Country Hotels Ltd owns and operates the hotel known as Three Ways House Hotel, Chipping Campden.

The goodwill arising on this acquisition is being amortised through the profit and loss account over its estimated useful life of 10 years, in line with the group's normal practice.

The fair value of consideration paid in relation to the acquisition of Three Ways House Hotel Ltd is as follows:

	£
Cash	2,935,258

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

26. Business combinations *(continued)*

The fair value of amounts recognised at the acquisition date in relation to Three Ways House Hotel Ltd are as follows:

	Book value	Adjustments	Fair value
	£	£	£
Tangible assets acquired	1,376,271	1,922,720	3,298,991
Stocks acquired	16,374	—	16,374
Trade debtors acquired	30,959	—	30,959
Other debtors acquired	11,234	—	11,234
Cash and cash equivalents acquired	11,194	—	11,194
Trade creditors assumed	(77,674)	—	(77,674)
Other creditors assumed	(843,592)	—	(843,592)
Provisions assumed	(8,937)	—	(8,937)
	<u>515,829</u>	<u>1,922,720</u>	<u>2,438,549</u>
Goodwill on acquisition			496,709
			<u>2,935,258</u>

Acquisition of Shepherd Cox Hotels (Durham) Ltd

On 13 June 2018, the group acquired 100% of the share capital of Shepherd Cox Hotels (Durham) Ltd, which owns and operates the hotel known as Hallgarth Manor Hotel, Durham.

The goodwill arising on this acquisition is being amortised through the profit and loss account over its estimated useful life of 10 years, in line with the group's normal practice.

The fair value of consideration paid in relation to the acquisition of Shepherd Cox Hotels (Durham) Ltd is as follows:

	£
Cash	2,220
Debt instruments	1,027,017
	<u>1,029,237</u>

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

26. Business combinations *(continued)*

The fair value of amounts recognised at the acquisition date in relation to Shepherd Cox Hotels (Durham) Ltd are as follows:

	Fair value £
Tangible assets acquired	1,979,543
Stocks acquired	11,535
Trade debtors acquired	28,774
Other debtors acquired	903,286
Cash and cash equivalents acquired	50,707
Trade creditors assumed	(437,599)
Other creditors assumed	(2,226,094)
	<u>310,152</u>
Goodwill on acquisition	719,085
	<u>1,029,237</u>

27. Capital commitments

Capital expenditure contracted for but not provided for in the financial statements is as follows:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Tangible assets	6,670,000	2,754,250	—	—

Three of subsidiary companies have granted long leases over individual rooms in the freehold hotels they own. These leases are granted at a premium, and the rooms are leased back to the hotel operating companies at a fixed annual rent. After 5 years, there are put and call options over the leasehold interests for the leases to be repurchased by the companies owning the freeholds for the amount of the original lease premium, plus an additional 15% uplift. These options fall due between 2022 and 2024.

28. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Not later than 1 year	509,200	—	—	—
Later than 1 year and not later than 5 years	1,525,867	—	—	—
	<u>2,035,067</u>	<u>—</u>	<u>—</u>	<u>—</u>

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

28. Operating leases *(continued)*

Three of the subsidiaries have entered into sale and leaseback transactions over the rooms in the freehold hotels they own. The companies pay a fixed annual rent on the operating leases for these rooms. At the end of a five year period, there are put and call options over the leases, such that the companies will be obliged to repurchase the leases. The details of the repurchases can be found in the capital commitments note.

The rent payable on the remaining term of the operating leases up to the expiry of the five year period is shown above.

29. Contingencies

Shepherd Cox Hotels Holdings Limited has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from audit under Section 479A of the Companies Act 2006 in respect of the year ended 31 March 2019.

Shepherd Cox Hotels (Chesterfield) Ltd
Shepherd Cox Hotels (Halifax) Ltd
Shepherd Cox Hotels (Manchester North) Ltd
Shepherd Cox Hotels (Chester) Ltd
Shepherd Cox Hotels (Sunderland) Ltd
Shepherd Cox Hotels (Banbury) Ltd
Shepherd Cox Hotels (Northallerton) Ltd
ESA Leisure Ltd
Nite Stop Ltd
Shepherd Cox Hotels (Durham) Ltd
Shepherd Cox Hotels (Chipping Campden) Ltd
Three Ways House Hotel Ltd
Classic Country Hotels Ltd
Shepherd Cox Drive Thru (Northallerton) Ltd
Shepherd Cox Hotels (Gateshead) Ltd

30. Events after the end of the reporting period

Following the year end and to the date of this report, the group has acquired three further hotels, The Bridge at Wetherby, the Charton Kings Hotel in Cheltenham and the Olde Barn Hotel in Grantham. Other acquisitions are in the pipeline and new financing agreements are partly finalised to fund these purchases. As a result of the favourable terms achieved, future interest costs will be reduced.

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

31. Directors' advances, credits and guarantees

During the year the directors entered into the following advances and credits with the company and its subsidiary undertakings:

	Balance brought forward £	2019 Advances/ (credits) to the directors £	Balance outstanding £
Mr LW Bramzell	–	21,815	21,815
Mr ND Carlile	–	40	40
	–	21,855	21,855

	Balance brought forward £	2018 Advances/ (credits) to the directors £	Balance outstanding £
Mr LW Bramzell	–	–	–
Mr ND Carlile	–	–	–
	–	–	–

32. Related party transactions

Group

During the year the group entered into the following transactions with related parties:

	Transaction value		Balance owed by/(owed to)	
	2019 £	2018 £	2019 £	2018 £
Shareholders	–	–	(48,388)	(116,485)
Associated companies	286,568	151,162	(414,058)	(321,114)
Subsidiaries	156,567	40,651	8,383,770	10,535,499

Company

During the year the company entered into the following transactions with related parties:

	Transaction value		Balance owed by/(owed to)	
	2019 £	2018 £	2019 £	2018 £
Shareholders	–	–	(35,121)	(53,292)
Associated companies	206,662	75,581	188,942	(843,288)
Subsidiaries	156,567	40,651	8,383,770	10,535,499