

Shepherd Cox Hotels Holdings Limited
Financial Statements
31 March 2018



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

Period from 5 June 2017 to 31 March 2018

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Shepherd Cox Hotels Holdings Limited

Officers and Professional Advisers

The board of directors

Mr E Webster
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

Period from 5 June 2017 to 31 March 2018

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 company was incorporated on 5 June 2017 and acquired various subsidiaries during the period. The group made a loss for the period. However, trade for the next few years appears promising.

RESULTS AND DIVIDENDS

The loss for the period, after taxation, amounted to £687,494.

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 raise finance for the company's operations and to fund the acquisition of hotels and maintain the fabric of those hotels. The company also provides working capital for its subsidiaries when necessary.

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 28/3/2019 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

Period from 5 June 2017 to 31 March 2018

The directors present their report and the financial statements of the group for the period ended 31 March 2018.

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 period were as follows:

Mr E Webster
Mr LW Bramzell
Mr ND Carlile

Dividends

Details of dividends paid in the year are shown in note 11. The directors do not recommend the payment of a further dividend.

Future developments

Following the year end, the group has acquired two further hotels, Hallgarth Manor Hotel in Durham, and Three Ways House Hotel in Chipping Campden.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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 period. 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 group and the company and the profit or loss of the group 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.

Shepherd Cox Hotels Holdings Limited

Directors' Report *(continued)*

Period from 5 June 2017 to 31 March 2018

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.

This report was approved by the board of directors on 28/3/2019 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

Period from 5 June 2017 to 31 March 2018

Opinion

We have audited the financial statements of Shepherd Cox Hotels Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 March 2018 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 2018 and of the group's loss for the period 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)*

Period from 5 June 2017 to 31 March 2018

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 period 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)*

Period from 5 June 2017 to 31 March 2018

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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
 - Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
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Shepherd Cox Hotels Holdings Limited

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

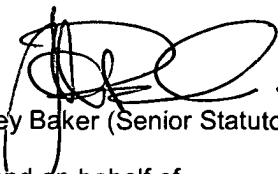
Period from 5 June 2017 to 31 March 2018

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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)

28/3/2019

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

Shepherd Cox Hotels Holdings Limited

Consolidated Statement of Comprehensive Income

Period from 5 June 2017 to 31 March 2018

		Period from 5 Jun 17 to 31 Mar 18 £
Turnover	Note 4	2,831,527
Cost of sales		556,791
Gross profit		<u>2,274,736</u>
Administrative expenses		2,065,593
Operating profit	5	<u>209,143</u>
Interest payable and similar expenses	9	912,197
Loss before taxation		<u>(703,054)</u>
Tax on loss	10	(15,499)
Loss for the financial period and total comprehensive income		<u><u>(687,555)</u></u>
Loss for the financial period attributable to:		
The owners of the parent company		(633,460)
Non-controlling interests		<u>(54,095)</u>
		<u><u>(687,555)</u></u>

All the activities of the group are from continuing operations.

The notes on pages 15 to 28 form part of these financial statements.

Shepherd Cox Hotels Holdings Limited

Consolidated Statement of Financial Position

31 March 2018

	Note	31 Mar 18 £
Fixed assets		
Intangible assets	12	452,596
Tangible assets	13	13,743,767
		<u>14,196,363</u>
Current assets		
Stocks	15	57,032
Debtors	16	584,647
Cash at bank and in hand		336,896
		<u>978,575</u>
Creditors: amounts falling due within one year	17	2,808,925
Net current liabilities		<u>1,830,350</u>
Total assets less current liabilities		12,366,013
Creditors: amounts falling due after more than one year	18	10,822,491
Provisions	19	158,903
Net assets		<u>1,384,619</u>
Capital and reserves		
Called up share capital	23	6,000
Share premium account	24	1,090,371
Profit and loss account	24	19,037
		<u>1,115,408</u>
Equity attributable to the owners of the parent company		1,115,408
Non-controlling interests		269,211
		<u>1,384,619</u>

These financial statements were approved by the board of directors and authorised for issue on 28/3/2019, and are signed on behalf of the board by:



Mr LW Bramzell
Director

Company registration number: 10802104

The notes on pages 15 to 28 form part of these financial statements.

Shepherd Cox Hotels Holdings Limited

Company Statement of Financial Position

31 March 2018

	Note	31 Mar 18 £
Fixed assets		
Tangible assets	13	1,303
Investments	14	10,120,834
		<u>10,122,137</u>
Current assets		
Debtors	16	42,898
Cash at bank and in hand		<u>177</u>
		43,075
Creditors: amounts falling due within one year	17	2,646,885
Net current liabilities		<u>2,603,810</u>
Total assets less current liabilities		7,518,327
Creditors: amounts falling due after more than one year	18	6,000,000
Net assets		<u>1,518,327</u>
Capital and reserves		
Called up share capital	23	6,000
Share premium account	24	1,090,371
Profit and loss account	24	<u>421,956</u>
Shareholders funds		<u>1,518,327</u>

The profit for the financial period of the parent company was £785,382.

These financial statements were approved by the board of directors and authorised for issue on ~~28/3/2019~~, and are signed on behalf of the board by:



Mr LW Bramzell
Director

Company registration number: 10802104

The notes on pages 15 to 28 form part of these financial statements.

Shepherd Cox Hotels Holdings Limited

Consolidated Statement of Changes in Equity

Period from 5 June 2017 to 31 March 2018

	Called up share capital £	Share premium account £	Profit and loss account £	Equity attributable to the owners of the parent company £	Non-controll ing interests £	Total £
At 5 June 2017	–	–	–	–	–	–
Loss for the period	–	–	(633,460)	(633,460)	(54,095)	(687,555)
Total comprehensive income for the period	–	–	(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 11	–	–	(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	<u>6,000</u>	<u>1,090,371</u>	<u>19,037</u>	<u>1,115,408</u>	<u>269,211</u>	<u>1,384,619</u>

The notes on pages 15 to 28 form part of these financial statements.

Shepherd Cox Hotels Holdings Limited

Company Statement of Changes in Equity

Period from 5 June 2017 to 31 March 2018

		Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 5 June 2017		—	—	—	—
Profit for the period		—	—	785,382	785,382
Total comprehensive income for the period		—	—	785,382	785,382
Issue of shares		6,000	1,090,371	—	1,096,371
Dividends paid and payable	11	—	—	(363,426)	(363,426)
Total investments by and distributions to owners		6,000	1,090,371	(363,426)	732,945
At 31 March 2018		<u>6,000</u>	<u>1,090,371</u>	<u>421,956</u>	<u>1,518,327</u>

The notes on pages 15 to 28 form part of these financial statements.

Shepherd Cox Hotels Holdings Limited

Consolidated Statement of Cash Flows

Period from 5 June 2017 to 31 March 2018

	31 Mar 18 £
Cash flows from operating activities	
Loss for the financial period	(687,555)
<i>Adjustments for:</i>	
Depreciation of tangible assets	77,018
Amortisation of intangible assets	77,579
Interest payable and similar expenses	912,197
Gains on disposal of tangible assets	(1,445,000)
Tax on profit	(15,499)
Accrued expenses	296,575
<i>Changes in:</i>	
Stocks	(25,779)
Trade and other debtors	(210,843)
Trade and other creditors	(663,342)
Cash generated from operations	(1,684,649)
Interest paid	(912,197)
Net cash used in operating activities	<u>(2,596,846)</u>
Cash flows from investing activities	
Purchase of tangible assets	(1,469,637)
Proceeds from sale of tangible assets	2,695,000
Acquisition of subsidiaries	(2,778,971)
Net cash used in investing activities	<u>(1,553,608)</u>
Cash flows from financing activities	
Proceeds from issue of ordinary shares	1,156,000
Proceeds from borrowings	3,694,776
Dividends paid	(363,426)
Net cash from financing activities	<u>4,487,350</u>
Net increase in cash and cash equivalents	336,896
Cash and cash equivalents at beginning of period	—
Cash and cash equivalents at end of period	<u>336,896</u>

The notes on pages 15 to 28 form part of these financial statements.

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements

Period from 5 June 2017 to 31 March 2018

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 and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

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)*

Period from 5 June 2017 to 31 March 2018

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.

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.

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.

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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Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 5 June 2017 to 31 March 2018

3. Accounting policies *(continued)*

Amortisation *(continued)*

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

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.

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.

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 5 June 2017 to 31 March 2018

3. Accounting policies *(continued)*

Impairment of fixed assets *(continued)*

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.

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.

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 5 June 2017 to 31 March 2018

4. Turnover

Turnover arises from:

	Period from 5 Jun 17 to 31 Mar 18 £
Hotel operations	2,696,784
Management fees	134,743
	<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.

5. Operating profit

Operating profit or loss is stated after charging/crediting:

	Period from 5 Jun 17 to 31 Mar 18 £
Amortisation of intangible assets	77,579
Depreciation of tangible assets	77,018
Gains on disposal of tangible assets	(1,445,000)
Impairment of trade debtors	<u>2,770</u>

6. Auditor's remuneration

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

7. Staff costs

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

	31 Mar 18 No.
Management staff	11
Food & beverage staff	61
Other hotel staff	75
	<u>147</u>

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 5 June 2017 to 31 March 2018

7. Staff costs *(continued)*

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

	Period from 5 Jun 17 to 31 Mar 18 £
Wages and salaries	915,474
Other pension costs	1,007
	<u>916,481</u>

8. Directors' remuneration

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

	Period from 5 Jun 17 to 31 Mar 18 £
Remuneration	<u>1,000</u>

9. Interest payable and similar expenses

	Period from 5 Jun 17 to 31 Mar 18 £
Interest on debenture loans	744,612
Interest on banks loans and overdrafts	476
Other interest payable and similar charges	167,109
	<u>912,197</u>

10. Tax on profit

Major components of tax income

	Period from 5 Jun 17 to 31 Mar 18 £
Current tax:	
UK current tax income	(15,499)
Tax on profit	<u>(15,499)</u>

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 5 June 2017 to 31 March 2018

10. Tax on profit *(continued)*

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 19%.

	Period from 5 Jun 17 to 31 Mar 18 £
Loss on ordinary activities before taxation	(703,054)
Loss on ordinary activities by rate of tax	(127,869)
Effect of expenses not deductible for tax purposes	14,740
Effect of capital allowances and depreciation	14,809
Unused tax losses	82,821
Tax on profit	<u>(15,499)</u>

11. Dividends

	31 Mar 18 £
Dividends paid during the period (excluding those for which a liability existed at the end of the prior period)	<u>363,426</u>

12. Intangible assets

Group	Goodwill £
Cost	
At 5 June 2017	—
Acquisitions through business combinations	530,175
At 31 March 2018	<u>530,175</u>
Amortisation	
At 5 June 2017	—
Charge for the period	77,579
At 31 March 2018	<u>77,579</u>
Carrying amount	
At 31 March 2018	<u>452,596</u>

The company has no intangible assets.

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 5 June 2017 to 31 March 2018

13. Tangible assets

Group	Freehold property £	Short leasehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost					
At 5 June 2017	–	–	–	–	–
Additions	1,418,554	–	1,303	49,780	1,469,637
Disposals	(1,250,000)	–	–	–	(1,250,000)
Acquisitions through business combinations	11,922,763	960,015	–	718,370	13,601,148
At 31 March 2018	12,091,317	960,015	1,303	768,150	13,820,785
Depreciation					
At 5 June 2017	–	–	–	–	–
Charge for the period	–	–	–	77,018	77,018
At 31 March 2018	–	–	–	77,018	77,018
Carrying amount					
At 31 March 2018	12,091,317	960,015	1,303	691,132	13,743,767
Company				Plant and machinery £	
Cost					
At 5 June 2017					–
Additions					1,303
At 31 March 2018					1,303
Depreciation					
At 5 June 2017 and 31 March 2018					–
Carrying amount					
At 31 March 2018					1,303
Tangible assets held at valuation					

14. Investments

The group has no investments.

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 5 June 2017 to 31 March 2018

14. Investments *(continued)*

Company	Shares in group undertakings £	Loans to group undertakings £	Total £
Cost			
At 5 June 2017	—	—	—
Additions	1,109,371	9,011,463	10,120,834
At 31 March 2018	<u>1,109,371</u>	<u>9,011,463</u>	<u>10,120,834</u>
Impairment			
At 5 June 2017 and 31 March 2018	—	—	—
Carrying amount			
At 31 March 2018	<u>1,109,371</u>	<u>9,011,463</u>	<u>10,120,834</u>

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 Lesiure Ltd	Ordinary	84.962

15. Stocks

	Group 31 Mar 18 £	Company 31 Mar 18 £
Raw materials and consumables	<u>57,032</u>	<u>—</u>

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 5 June 2017 to 31 March 2018

16. Debtors

	Group 31 Mar 18 £	Company 31 Mar 18 £
Trade debtors	367,776	–
Prepayments and accrued income	165,602	19,331
Directors loan account	80	–
Other debtors	51,189	23,567
	<u>584,647</u>	<u>42,898</u>

17. Creditors: amounts falling due within one year

	Group 31 Mar 18 £	Company 31 Mar 18 £
Debenture loans	1,675,000	1,675,000
Bank loans and overdrafts	88,245	–
Payments received on account	289,790	–
Trade creditors	441,029	35,925
Amounts owed to group undertakings	3,217	–
Accruals and deferred income	323,470	30,000
Corporation tax	69,064	–
Social security and other taxes	241,439	12,092
Director loan accounts	18,171	18,171
Wages payable	9,490	80
Amounts owed to related companies	(522,174)	840,495
Other creditors	172,184	35,122
	<u>2,808,925</u>	<u>2,646,885</u>

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

	Group 31 Mar 18 £	Company 31 Mar 18 £
Debenture loans	6,000,000	6,000,000
Bank loans and overdrafts	4,822,491	–
	<u>10,822,491</u>	<u>6,000,000</u>

Included within creditors: amounts falling due after more than one year is an amount of £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)*

Period from 5 June 2017 to 31 March 2018

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

The group also has a loan of £1,518,616 from Lloyds Bank which is secured by way of: 1. an unlimited debenture from Shepherd Cox Holdings Ltd 2. a first legal charge over the freehold land and buildings at Wroxton House Hotel 3. an unlimited debenture from ESA Leisure Ltd 4. 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 5. a deed of postponement or subordination from Shepherd Cox Hotels (Banbury) Ltd in respect of all loans to the company 6. an unlimited debenture from Shepherd Cox Hotels (Banbury) Ltd

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

The company has a loan of £7,675,000 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, £1,675,000 is repayable within one year and £6,000,000 within 3 years.

19. Provisions

Group	Deferred tax (note 20) £
At 5 June 2017	—
Other movements 1	158,903
At 31 March 2018	158,903

The company does not have any provisions.

20. Deferred tax

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

	Group 31 Mar 18 £	Company 31 Mar 18 £
Included in provisions (note 19)	158,903	—

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

	Group 31 Mar 18 £	Company 31 Mar 18 £
Accelerated capital allowances	158,903	—

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 5 June 2017 to 31 March 2018

21. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £1,007.

22. 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
	31 Mar 18
	£
Financial assets that are debt instruments measured at amortised cost	<u>367,776</u>

Financial liabilities measured at amortised cost

	Group
	31 Mar 18
	£
Financial liabilities measured at amortised cost	<u>12,497,491</u>

23. Called up share capital

Issued, called up and fully paid

		31 Mar 18
	No.	£
Ordinary A Shares shares of £1 each	5,700	5,700
Ordinary B Shares shares of £1 each	300	300
	<u>6,000</u>	<u>6,000</u>

During the year, the company allotted 5,700 Ordinary A Shares and 300 Ordinary B Shares.

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 *pari passu*.

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 5 June 2017 to 31 March 2018

24. 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.

25. 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 2018.

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

26. Related party transactions

Group

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

	Transaction value 31 Mar 18 £	Balance owed by/(owed to) 31 Mar 18 £
Shepherd Cox Limited	–	(108,389)
Shepherd Cox Hotels (Durham) Ltd	6,871	48,951
Shepherd Cox Hotels (Bicester) Ltd	6,871	(145,488)
Shepherd Cox Hotels (Cheltenham) Ltd	6,871	6,871
Shepherd Cox Hotels (Croft on Tees) Ltd	6,871	(18,032)
Shepherd Cox Hotels (Darlington) Ltd	6,871	108,871
Shepherd Cox Hotels (Durham City) Ltd	6,871	16,871
Shepherd Cox Hotels (Hartlepool) Ltd	6,871	137,871
Shepherd Cox Hotels (Knutsford) Ltd	6,871	6,871
Shepherd Cox Hotels (Leeming Bar) Ltd	6,871	6,871
Shepherd Cox Hotels (Lymm) Ltd	6,871	6,871
Shepherd Cox Hotels (Stokesley) Ltd	6,871	26,871
Shepherd Cox Hotels (Sedgefield) Ltd	–	(131,988)
Shepherd Cox Holdings Banbury Ltd	–	725,000
D&B Investment Property Ltd	–	(165,842)

Shepherd Cox Hotels Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 5 June 2017 to 31 March 2018

26. Related party transactions *(continued)*

Company

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

	Transaction value 31 Mar 18 £	Balance owed by/(owed to) 31 Mar 18 £
Shepherd Cox Limited	–	(916,071)
Shepherd Cox Hotels (Durham) Ltd	6,871	6,871
Shepherd Cox Hotels (Bicester) Ltd	6,871	6,871
Shepherd Cox Hotels (Cheltenham) Ltd	6,871	6,871
Shepherd Cox Hotels (Croft on Tees) Ltd	6,871	6,871
Shepherd Cox Hotels (Darlington) Ltd	6,871	6,871
Shepherd Cox Hotels (Durham City) Ltd	6,871	6,871
Shepherd Cox Hotels (Hartlepool) Ltd	6,871	6,871
Shepherd Cox Hotels (Knutsford) Ltd	6,871	6,871
Shepherd Cox Hotels (Leeming Bar) Ltd	6,871	6,871
Shepherd Cox Hotels (Lymm) Ltd	6,871	6,871
Shepherd Cox Hotels (Stokesley) Ltd	6,871	6,871