

Newco NHL UK (17) Limited

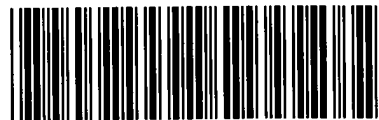
Report and Financial Statements

Period Ended

31 December 2017

Company Number 10842704

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Newco NHL UK (17) Limited

Company Information

Directors	S Pasricha S Kapasi S B Mittal
Registered number	10842704
Registered office	4th Floor 159 St. John Street London EC1V 4QJ
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Newco NHL UK (17) Limited

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Newco NHL UK (17) Limited

Group Strategic Report for the Period Ended 31 December 2017

The directors present their strategic report together with the audited consolidated financial statements for the year ended 31 December 2017. Parent company audited financial statements are presented for the period from incorporation to 31 December 2017.

Introduction

Newco NHL UK (17) Limited ('the company') was incorporated on 29 June 2017 as a wholly owned subsidiary of Norlake Hospitality Limited. The Norlake group is headed by Norlake Hospitality Limited and comprises subsidiaries operating and developing hotels in Europe and the USA.

On 27 September 2017, Norlake Hospitality Limited transferred its share ownership of The Hoxton (Shoreditch) Limited, The Hoxton (Holborn) Limited and The Hoxton (Amsterdam) UK Limited to the company in return for consideration representing market value. The purpose of this restructure was to create a 'banking group' comprising the company and its subsidiaries, which would be able to enter into external debt arrangements.

As the above transaction was part of a group restructuring within the Norlake group, the directors considered that it was appropriate to apply merger accounting principles. Therefore the results of the Newco NHL UK (17) group are set out as if the group had always been in existence. This means that the consolidated financial statements include the results of the company and its subsidiaries for the year ending 31 December 2017, with the comparative year ending 31 December 2016 presented on the same basis. The company's own financial statements are for the period from incorporation to 31 December 2017.

Principal activities

The company acts as both a holding company and a financing company. The company both holds investments directly in UK operating subsidiaries, and also holds an indirect investment, via a UK holding company, of a European operating subsidiary. The principal activity of the company's operating subsidiaries is the operation of hotels.

The group's operating hotels trade as 'The Hoxton Shoreditch', 'The Hoxton Holborn' and 'The Hoxton Amsterdam' and comprise 495 bedrooms, 17 meeting rooms and four restaurants.

In September 2017, the company entered into an external debt facility, secured on the property and assets of the company's subsidiaries. The funds drawn down have been used to repay existing bank loans and part of the company's shareholder loan.

Performance summary

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

Financial highlights

Key measurements used to assess progress against revenue objectives are Average Daily Rate (ADR) and Revenue Per Available Room (RevPAR), a function of occupancy and ADR. In 2017, both ADR and RevPAR increased compared to 2016. In addition:

- Hotel revenue up 12% to £36.0m (2016 - £32.1m)
- Gross profit up 6% to £26.4m (2016 - £25m)
- Cash of £4.4m at 31 December 2017.

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

Newco NHL UK (17) Limited

Group Strategic Report (continued) for the Period Ended 31 December 2017

Operational highlights

The group's operating hotels have responded well to continued development of their local competitive environments, ensuring that they constantly evolve with the area in which they are based. In particular, The Hoxton Shoreditch's communal areas underwent an extensive refurbishment during early 2017, which has had a positive impact on interest in and occupancy of the hotel.

Future outlook

The group's trading hotels will continue their day to day focus on managing the hotels successfully in order to maximise yield and long term value. Trade across the group's hotels has started positively during 2018 and this, together with a satisfactory level of second half booking, positions the group towards achieving its 2018 performance targets.

Principal risks and uncertainties

Economic

The directors have assessed the main risk facing the group as being the occurrence of shocks to the European economy, particularly the travel sector, which could lead to lower occupancy from corporate customers as well as lower weekend bookings by leisure customers.

The directors believe that the quality of the product, the location of the group's existing and new hotels and the level of customer service will help mitigate any impact from this risk and hope to see continued growth and satisfactory trading results in the coming year.

Competition

The local competitive environments surrounding each hotel continues to evolve. Market intelligence provides data about local markets to benchmark pricing decisions. An awareness of local hospitality and office developments, and planning applications for proposed developments, continues to be key to the directors' understanding of how trading may be affected by changes in the competitive environments. The directors are confident about the competitive position of the group's hotels in this changing marketplace.

Legislative risks

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

Newco NHL UK (17) Limited

Group Strategic Report (continued) for the Period Ended 31 December 2017

Financial risk management

Interest rate risk

At 31 December 2017, the group has drawn down both fixed rate shareholder loans and variable rate bank borrowings. No interest rate hedge is in place.

Liquidity risk

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

Foreign exchange risk

Although the functional currency of the group is Sterling, the group's operating cashflows are transacted in both Sterling and Euro. At 31 December 2017, the group has drawn down external bank loans in both Sterling and Euro to ensure that the interest costs arise in currencies that reflect the operating cash flows, thereby minimising net cashflows in foreign currencies. Hedge accounting is not used by the group.

On the trading front, whilst the decrease in the value of the pound has contributed towards pressure on some input costs, to date the UK hospitality industry has benefitted from stronger demand from international travellers driven by the weaker pound.

Employee involvement

The group employed on average 154 people during 2017 and actively engages with and develops its people.

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

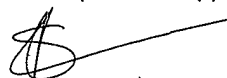
The group conducts annual employee surveys as a forum for engagement and in order to gather employee opinions for consideration.

People development

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

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

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



.....
S Pasricha
Director

Date: 01/08/2018

Newco NHL UK (17) Limited

Directors' Report for the Period Ended 31 December 2017

The company was incorporated on 29 June 2017.

The directors present their report and the financial statements for the period ended 31 December 2017.

Results and dividends

The profit for the period, after taxation, amounted to £4,529,644 (2016 - £7,247,675).

Particulars of dividends paid are detailed in note 11 to the financial statements.

Directors

The directors who served during the period were:

S Pasricha (appointed 29 June 2017)
C H B Oakshett (appointed 29 June 2017, resigned 27 April 2018)
S Kapasi (appointed 29 June 2017)
J C van de Vreede (appointed 29 June 2017, resigned 1 June 2018)
N Mittal (appointed 3 July 2017, resigned 3 July 2017)
S B Mittal (appointed 3 July 2017)

Directors' responsibilities

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

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

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

- select suitable accounting policies for the group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

Matters covered in the strategic report

As permitted by paragraph 1A of schedule 7 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008, certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on pages 1 - 3. These matters relate to the principal risks to which the company is exposed and future developments.

Newco NHL UK (17) Limited

Directors' Report (continued) for the Period Ended 31 December 2017

Disclosure of information to auditor

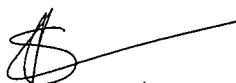
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditor is aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



.....
S Pasricha
Director

Date: 01/08/2018

Newco NHL UK (17) Limited

Independent Auditor's Report to the Members of Newco NHL UK (17) Limited

Opinion

We have audited the financial statements of Newco NHL UK (17) Limited ("the parent company") and its subsidiaries ("the group") for the period ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 December 2017 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 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.

Newco NHL UK (17) Limited

Independent Auditor's Report to the Members of Newco NHL UK (17) Limited (continued)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and director's report.

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

- adequate accounting records have not been kept 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

Newco NHL UK (17) Limited

Independent Auditor's Report to the Members of Newco NHL UK (17) Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



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

Date: 7/08/2018

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

Newco NHL UK (17) Limited

Consolidated Statement of Comprehensive Income for the Period Ended 31 December 2017

	Note	2017 £	2016 £
Turnover	4	36,025,125	32,118,367
Cost of sales		(9,593,913)	(7,142,592)
Gross profit		26,431,212	24,975,775
Administrative expenses		(17,305,809)	(14,651,986)
Operating profit	5	9,125,403	10,323,789
Interest receivable and similar income	8	1,384,750	1,836,169
Interest payable and expenses	9	(4,428,269)	(3,443,235)
Profit before taxation		6,081,884	8,716,723
Tax on profit	10	(1,552,240)	(1,469,048)
Profit for the financial period		4,529,644	7,247,675
Currency translation differences		23,367	20,450
Other comprehensive income for the period		23,367	20,450
Total comprehensive income for the period		4,553,011	7,268,125

All amounts relate to continuing operations.

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

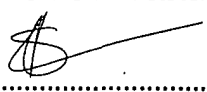
Newco NHL UK (17) Limited

Registered number: 10842704

Consolidated Statement of Financial Position as at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	12	856,436	915,842
Tangible assets	13	147,054,347	148,388,474
Long term deposits	15	2,653,136	-
		<u>150,563,919</u>	<u>149,304,316</u>
Current assets			
Stocks	16	74,749	45,778
Debtors: amounts falling due after more than one year	17	-	48,246,422
Debtors: amounts falling due within one year	17	1,886,523	1,597,543
Cash and cash equivalents		4,379,347	3,086,976
		<u>6,340,619</u>	<u>52,976,719</u>
Creditors: amounts falling due within one year	18	(5,670,546)	(6,237,652)
Net current assets		<u>670,073</u>	<u>46,739,067</u>
Total assets less current liabilities		<u>151,233,992</u>	<u>196,043,383</u>
Creditors: amounts falling due after more than one year	19	(242,175,750)	(286,984,273)
Deferred taxation	20	(14,996,910)	(14,806,049)
Net liabilities		<u>(105,938,668)</u>	<u>(105,746,939)</u>
Capital and reserves			
Share capital	21	1	1
Foreign exchange reserve	22	(176,905)	(200,272)
Other reserves	22	633	633
Merger reserve	22	(84,305,500)	(84,305,500)
Accumulated losses	22	(21,456,897)	(21,241,801)
		<u>(105,938,668)</u>	<u>(105,746,939)</u>

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


.....
S Pasricha
Director

Date: 01/08/2018

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

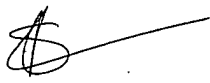
Newco NHL UK (17) Limited
Registered number: 10842704

**Company Statement of Financial Position
as at 31 December 2017**

	Note	2017 £
Fixed assets		
Investments in subsidiary companies	14	176,702,830
Long term deposits	15	2,653,136
		<u>179,355,966</u>
Current assets		
Debtors within one year	17	60,429,543
Cash at bank and in hand		3,113,037
		<u>63,542,580</u>
Creditors: amounts falling due within one year	18	(140,613)
		<u>63,401,967</u>
Net current assets		
		<u>63,401,967</u>
Total assets less current liabilities		<u>242,757,933</u>
Creditors: amounts falling due after more than one year	19	(242,175,750)
		<u>582,183</u>
Net assets		<u><u>582,183</u></u>
Capital and reserves		
Share capital	21	1
Retained earnings	22	582,182
		<u>582,183</u>

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit after tax of the parent company for the period was £1,282,182.

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


.....
S Pasricha
Director

Date: 01/08/2018

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

Newco NHL UK (17) Limited

Consolidated Statement of Changes in Equity for the Period Ended 31 December 2017

	Share capital	Foreign exchange reserve	Other reserves	Merger reserve	Accumulated losses	Total equity
	£	£	£	£	£	£
At 1 January 2017	1	(200,272)	633	(84,305,500)	(21,241,801)	(105,746,939)
Comprehensive income for the period						
Profit for the period	-	-	-	-	4,529,644	4,529,644
Currency translation differences	-	23,367	-	-	-	23,367
Total comprehensive income for the period	-	23,367	-	-	4,529,644	4,553,011
Dividends: Equity capital	-	-	-	-	(4,744,740)	(4,744,740)
At 31 December 2017	1	(176,905)	633	(84,305,500)	(21,456,897)	(105,938,668)

Newco NHL UK (17) Limited

Consolidated Statement of Changes in Equity for the Period Ended 31 December 2016

	Share capital	Foreign exchange reserve	Other reserves	Merger reserve	Accumulated losses	Total equity
	£	£	£	£	£	£
At 1 January 2016	1	(220,722)	633	(84,305,500)	(23,284,556)	(107,810,144)
Comprehensive income for the period						
Profit for the period	-	-	-	-	7,247,675	7,247,675
Currency translation differences	-	20,450	-	-	-	20,450
Total comprehensive income for the period	-	20,450	-	-	7,247,675	7,268,125
Dividends: Equity capital	-	-	-	-	(5,204,920)	(5,204,920)
At 31 December 2016	1	(200,272)	633	(84,305,500)	(21,241,801)	(105,746,939)

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

Newco NHL UK (17) Limited

Company Statement of Changes in Equity for the Period Ended 31 December 2017

	Share capital £	Retained earnings £	Total equity £
Comprehensive income for the period			
Profit for the period	-	1,282,182	1,282,182
Total comprehensive income for the period	-	1,282,182	1,282,182
Dividends: Equity capital	-	(700,000)	(700,000)
Shares issued during the period	1	-	1
At 31 December 2017	1	582,182	582,183

Newco NHL UK (17) Limited

Consolidated Statement of Cash Flows for the Period Ended 31 December 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial period	4,529,644	7,247,675
Adjustments for:		
Amortisation of intangible assets	59,406	59,406
Depreciation of tangible assets	4,880,987	4,774,518
Loss on disposal of tangible assets	-	(188)
Interest paid	4,428,269	3,443,235
Interest received	(1,384,750)	(1,836,169)
Taxation charge	1,552,240	1,469,048
(Increase)/decrease in stocks	(29,391)	40,973
(Increase)/decrease in debtors	(577,794)	174,060
Increase/(decrease) in creditors	214,886	(404,603)
Corporation tax paid	(1,953,222)	(1,528,802)
Net cash generated from operating activities	11,720,275	13,439,153
Cash flows from investing activities		
Purchase of tangible fixed assets	(3,011,050)	(869,851)
Long term deposits	(2,653,136)	-
Interest received	11,596	-
Net cash used in investing activities	(5,652,590)	(869,851)
Cash flows from financing activities		
New secured loans	18,960,850	-
Repayment of loans	-	(4,837,890)
Loan arrangement fee	(596,023)	-
Loans from group companies repaid	(15,326,317)	-
Dividends paid	(4,736,950)	(5,204,920)
Interest paid	(3,025,143)	(3,027,408)
Movement on foreign exchange	(51,731)	(139,771)
Net cash used in financing activities	(4,775,314)	(13,209,989)
Net increase/(decrease) in cash and cash equivalents	1,292,371	(640,687)
Cash and cash equivalents at beginning of period	3,086,976	3,727,663
Cash and cash equivalents at the end of period	4,379,347	3,086,976

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

Newco NHL UK (17) Limited

Notes to the Financial Statements for the Period Ended 31 December 2017

1. General information

Newco NHL UK (17) Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and principal activity are set out in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the group's accounting policies (see note 3).

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The parent has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Norlake Hospitality Limited as at 31 December 2017 and these financial statements may be obtained from Companies House.

Newco NHL UK (17) Limited

Notes to the Financial Statements for the Period Ended 31 December 2017

2. Accounting policies (continued)

2.3 Basis of consolidation

The company was incorporated on 29 June 2017. On this date it acquired 95% interest in The Hoxton (Holborn) Limited, The Hoxton (Shoreditch) Limited and The Hoxton (Amsterdam) UK Limited and their subsidiaries by way of a share for share exchange. The financial statements have been prepared following the principles of merger accounting.

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

In the consolidated financial statements, merged subsidiary undertakings are treated as if they had always been a member of the group. The results of such a subsidiary are included for the whole period in the year it joins the group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous statement of financial position date and the shares issued by the company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the company and those issued by the company to acquire them is taken to a separate merger reserve.

2.4 Going concern

The company's parent group has committed to provide funding and the directors have received confirmation from the parent group that funding will be made available to the group to ensure it can meet its liabilities as they fall due and therefore the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

2.5 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the group and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

2.6 Intangible assets

Goodwill

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

Other intangible assets

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

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Newco NHL UK (17) Limited

Notes to the Financial Statements for the Period Ended 31 December 2017

2. Accounting policies (continued)

2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- Nil
Long-term leasehold property	- 2%
Plant and machinery	- 6.67%
Fixtures and fittings	- 10%
Office equipment	- 33.33%
Computer equipment	- 33.33%

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

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

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Stocks

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

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.10 Debtors

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

Newco NHL UK (17) Limited

Notes to the Financial Statements for the Period Ended 31 December 2017

2. Accounting policies (continued)

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

2.12 Financial instruments

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

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

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

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

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

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

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Newco NHL UK (17) Limited

Notes to the Financial Statements for the Period Ended 31 December 2017

2. Accounting policies (continued)

2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.14 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

2.15 Finance costs

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

2.16 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.17 Operating leases

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

Newco NHL UK (17) Limited

Notes to the Financial Statements for the Period Ended 31 December 2017

2. Accounting policies (continued)

2.18 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the group in independently administered funds.

2.19 Interest income

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

2.20 Borrowing costs

All borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the consolidated statement of comprehensive income in the year that the group becomes aware of the obligation, and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

Newco NHL UK (17) Limited

Notes to the Financial Statements for the Period Ended 31 December 2017

2. Accounting policies (continued)

2.22 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Newco NHL UK (17) Limited

Notes to the Financial Statements for the Period Ended 31 December 2017

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

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

- Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets (see note 13)*
Tangible fixed assets, other than investments properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- *Impairment of the investments in subsidiaries*
Determining whether or not the company's investments in its subsidiaries have been impaired requires estimations of the value in use of the investments. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate the present value.
- *Recoverability of amounts owed by group undertakings*
Provision for impairment of the carrying value of amounts due from group undertakings is made based on managements estimate of the prospect of recovering the amounts due, which includes considering the solvency of the counterparty and its future outlook, based on budgets and forecasts prepared by management. The directors are of the opinion that the amounts due from group undertakings are recoverable in full and on this basis no impairment has been provided for in respect of these balances (2016 - £Nil).

Newco NHL UK (17) Limited

Notes to the Financial Statements for the Period Ended 31 December 2017

4. Turnover

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

	2017 £	2016 £
Hotel operations	<u>36,025,125</u>	<u>32,118,367</u>

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	25,262,876	24,717,881
Rest of Europe	10,762,249	7,400,486
	<u>36,025,125</u>	<u>32,118,367</u>

5. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	4,880,987	4,774,518
Amortisation of intangible assets, including goodwill	59,406	59,406
Fees payable to the group's auditor for the audit of the financial statements	31,500	26,478
Exchange differences	(11,428)	(46,853)
Other operating lease rentals	719,583	719,911
Defined contribution pension cost	<u>107,556</u>	<u>47,236</u>

Newco NHL UK (17) Limited

Notes to the Financial Statements for the Period Ended 31 December 2017

6. Employees

Staff costs were as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Wages and salaries	5,240,557	3,756,259	-	-
Social security costs	519,392	334,168	-	-
Cost of defined contribution scheme	107,556	47,236	-	-
	<u>5,867,505</u>	<u>4,137,663</u>	<u>-</u>	<u>-</u>

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

	2017 No.	2016 No.
Administrative staff	135	88
Management staff	19	16
	<u>154</u>	<u>104</u>

7. Directors' remuneration

During the year, no director received any emoluments (2016 - £Nil). All directors' emoluments are borne by Norlake Hospitality Limited.

8. Interest receivable

	2017 £	2016 £
Interest receivable from group companies	1,373,154	1,836,169
Other interest receivable	11,596	-
	<u>1,384,750</u>	<u>1,836,169</u>

Newco NHL UK (17) Limited

Notes to the Financial Statements for the Period Ended 31 December 2017

9. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	2,624,758	2,710,457
Interest payable on loans from group undertakings	1,803,511	732,778
	<u>4,428,269</u>	<u>3,443,235</u>

10. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	82,426	1,733,991
Adjustments in respect of previous periods	(26,931)	(188)
Group taxation relief payable	911,382	-
	<u>966,877</u>	<u>1,733,803</u>
Foreign tax		
Foreign tax on income for the year	594,141	491,021
Total current tax	<u>1,561,018</u>	<u>2,224,824</u>
Deferred tax		
Origination and reversal of timing differences	(31,458)	(156,290)
Adjustments in respect of prior periods	22,680	(70)
Effect of tax rate change on opening balance	-	(599,416)
Total deferred tax	<u>(8,778)</u>	<u>(755,776)</u>
Taxation on profit on ordinary activities	<u>1,552,240</u>	<u>1,469,048</u>

Newco NHL UK (17) Limited

Notes to the Financial Statements for the Period Ended 31 December 2017

10. Taxation (continued)

Factors affecting tax charge for the period/year

The tax assessed for the year is higher than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	6,081,884	8,716,723
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	1,170,763	1,743,345
Effects of:		
Expenses not deductible for tax purposes	213,692	128,231
Fixed asset differences	192,068	209,913
Adjustments to tax charge in respect of prior periods	(26,931)	(188)
Adjustments to tax charge in respect of prior periods - deferred tax	22,680	(70)
Adjustments to deferred tax due to change in tax rates	(19,728)	(612,183)
Group relief claimed	(304)	-
Total tax charge for the period/year	1,552,240	1,469,048

Factors that may affect future tax charges

From 1 April 2020 this main rate of UK corporation tax will further decrease to 17% as substantively enacted on 6 September 2016. As this change has been substantively enacted before the reporting date, deferred tax has been recognised at 17% as at 31 December 2017. For further information on deferred tax balances see note 20.

11. Dividends

	2017 £	2016 £
Dividends paid	4,744,740	5,204,920

Included within dividends paid are dividends of £1,920,000 (2016 - £1,500,000) from The Hoxton (Holborn) Limited, £1,250,000 (2016 - £3,000,000) from The Hoxton (Shoreditch) Limited and £874,740 (2016 - £704,920) from The Hoxton (Amsterdam) UK Limited which were all paid to Norlake Hospitality Limited prior to the restructuring of the group. The remaining balance of £700,000 (2016 - £Nil) was paid from Newco NHL UK (17) Limited to Norlake Hospitality Limited.

Newco NHL UK (17) Limited

Notes to the Financial Statements for the Period Ended 31 December 2017

12. Intangible assets

Group

	Goodwill £
Cost	
At 1 January 2017	1,188,120
At 31 December 2017	<u>1,188,120</u>
Amortisation	
At 1 January 2017	272,278
Charge for the year	59,406
At 31 December 2017	<u>331,684</u>
Net book value	
At 31 December 2017	<u>856,436</u>
At 31 December 2016	<u>915,842</u>

Newco NHL UK (17) Limited

Notes to the Financial Statements for the Period Ended 31 December 2017

13. Tangible fixed assets

Group

	Freehold property £	Long-term leasehold property £	Plant and machinery £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost							
At 1 January 2017	81,759,207	72,066,239	2,478,247	8,625,028	483,513	248,944	165,661,178
Additions	480,115	1,874,740	6,138	618,071	25,046	6,940	3,011,050
Disposals	-	-	-	(19,928)	-	-	(19,928)
Exchange adjustments	481,152	-	-	153,119	-	-	634,271
At 31 December 2017	82,720,474	73,940,979	2,484,385	9,376,290	508,559	255,884	169,286,571
Depreciation							
At 1 January 2017	4,095,649	8,641,173	1,038,635	2,873,221	452,471	171,555	17,272,704
Charge for the period	1,849,216	1,632,216	165,644	1,150,105	22,459	61,347	4,880,987
Disposals	-	-	-	(19,928)	-	-	(19,928)
Exchange adjustments	23,797	-	-	74,664	-	-	98,461
At 31 December 2017	5,968,662	10,273,389	1,204,279	4,078,062	474,930	232,902	22,232,224
Net book value							
At 31 December 2017	76,751,812	63,667,590	1,280,106	5,298,228	33,629	22,982	147,054,347
At 31 December 2016	77,663,558	63,425,066	1,439,612	5,751,807	31,042	77,389	148,388,474

Newco NHL UK (17) Limited

Notes to the Financial Statements for the Period Ended 31 December 2017

14. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost	
Additions	176,702,830
At 31 December 2017	176,702,830
Net book value	
At 31 December 2017	176,702,830
At 31 December 2016	-

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
The Hoxton (Holborn) Limited	A Ordinary	95 %	Operating a hotel
The Hoxton (Shoreditch) Limited	A Ordinary	95 %	Operating a hotel
The Hoxton (Amsterdam) UK Limited	A Ordinary	95 %	Holding company
WS Hotels Properties (Shoreditch) Limited*	A Ordinary	95 %	Dormant company
The Hoxton (Amsterdam) B.V.*	A Ordinary	95 %	Operating a hotel

* indirectly held

On 27 September 2017, Norlake Hospitality Limited transferred its share ownership of The Hoxton (Shoreditch) Limited, The Hoxton (Holborn) Limited and The Hoxton (Amsterdam) UK Limited to the company in return for consideration representing market value at the date of transfer.

The Hoxton (Holborn) Limited, The Hoxton (Shoreditch) Limited, The Hoxton (Amsterdam) UK Limited and WS Hotels Properties (Shoreditch) Limited are all incorporated in England and Wales and have the same registered office address as the company (see company information page).

The Hoxton (Amsterdam) B.V. is incorporated in The Netherlands and its registered office is Heengracht 225, 1016 BJ Amsterdam.

15. Long term deposits

Long term deposits relate to cash held in bank accounts in accordance with the terms of Newco NHL (UK) Limited's external loan facility.

Newco NHL UK (17) Limited

Notes to the Financial Statements for the Period Ended 31 December 2017

16. Stocks

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Finished goods and goods for resale	74,749	45,778	-	-

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

Stock recognised in cost of sales during the period as an expense was £662,417 (2016 - £703,861).

17. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Due after more than one year				
Amounts owed by group undertakings	-	48,246,422	-	-
	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Due within one year				
Trade debtors	1,240,202	854,103	-	-
Amounts owed by group undertakings	-	-	60,138,231	-
Other debtors	149,860	379,725	291,312	-
Prepayments and accrued income	496,461	363,715	-	-
	1,886,523	1,597,543	60,429,543	-

18. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade creditors	1,003,668	1,089,320	-	-
Corporation tax	80,129	922,988	-	-
Other taxation and social security	793,710	516,181	-	-
Other creditors	370,161	56,003	-	-
Accruals and deferred income	2,968,921	3,653,160	140,613	-
Amounts owed to related parties	453,957	-	-	-
	5,670,546	6,237,652	140,613	-

Newco NHL UK (17) Limited

Notes to the Financial Statements for the Period Ended 31 December 2017

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

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank loans	113,567,529	94,803,313	113,567,529	-
Amounts owed to group undertakings	128,608,221	192,180,960	128,608,221	-
	<u>242,175,750</u>	<u>286,984,273</u>	<u>242,175,750</u>	<u>-</u>

The prior year bank loans were secured by fixed and floating charges over the property, assets and undertakings of The Hoxton (Shoreditch) Limited and The Hoxton (Holborn) Limited.

In September 2017, the company entered into a new loan facility, which is secured by fixed and floating charges over the property, asset and undertakings of its operating subsidiaries, The Hoxton (Shoreditch) Limited, The Hoxton (Holborn) Limited and The Hoxton (Amsterdam) B.V.

The proceeds from the new loan facility were used to settle the existing loan facilities and to repay part of the group's shareholder loan with Norlake Hospitality Limited.

20. Deferred taxation

Group

	2017 £	2016 £
At beginning of year	(14,806,049)	(14,914,835)
Charged to statement of comprehensive income	8,778	755,776
Exchange adjustments	(199,639)	(646,990)
At end of year	<u>(14,996,910)</u>	<u>(14,806,049)</u>

The provision for deferred taxation is made up as follows:

	Group 2017 £	Group 2016 £
Accelerated capital allowances	(2,247,635)	(1,912,161)
Short-term timing differences	2,500	-
Deferred tax arising on business acquisitions	(12,751,775)	(12,893,888)
	<u>(14,996,910)</u>	<u>(14,806,049)</u>

Newco NHL UK (17) Limited

Notes to the Financial Statements for the Period Ended 31 December 2017

21. Share capital

	2017 £
Allotted, called up and fully paid	
1 Ordinary share of £1	<u>1</u>

On incorporation the company issued 1 ordinary share of £1 at par.

22. Reserves

Foreign exchange reserve

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

Other reserves

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

Merger Reserve

Merger reserve represents the difference between the value of the investment made by the company into its subsidiaries and the net assets of the subsidiaries.

(Accumulated losses)/Retained earnings

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

Newco NHL UK (17) Limited

Notes to the Financial Statements for the Period Ended 31 December 2017

23. Capital commitments

The group and company had capital commitments as follows:

	Group 2017 £	Group 2016 £
Contracted for but not provided in these financial statements	565,172	1,734,630

The capital commitments at both year ends are in relation to refurbishment and extension works being undertaken at the hotels.

24. Pension commitments

The group operates a defined contributions pension scheme. The assets of the schemes are held separately from those of the group in a independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £107,556 (2016 - £47,236). Contributions totaling £50,450 (2016 - £24,124) were payable to the funds at the reporting date and are included in creditors.

25. Commitments under operating leases

At 31 December 2017 the group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £	Group 2016 £
Not later than 1 year	554,512	500,000
Later than 1 year and not later than 5 years	2,218,048	2,000,000
Later than 5 years	46,024,496	41,834,018
	<u>48,797,056</u>	<u>44,334,018</u>

Newco NHL UK (17) Limited

Notes to the Financial Statements for the Period Ended 31 December 2017

26. Related party transactions

The group is related to Ennismore International Management Limited (Ennismore) by virtue of the fact that Ennismore is controlled by a director of the group. Ennismore charges the group management and other service fees incurred for the purposes of the group.

The group's immediate parent company is Norlake Hospitality Limited (NHL). NHL recharges the group for payroll and other direct costs incurred for the purposes of the group.

Related party balances

	2017 £	2016 £
Amounts owed from related parties as at 31 December		
Loan balance due from NHL	-	48,246,422
Amounts owed to related parties as at 31 December		
Loan balance due to NHL	(127,180,134)	(192,180,960)
Loan interest due to NHL	(1,428,087)	-
Management fees payable to Ennismore	(588,655)	(399,766)
Group tax (payable)/receivable to/from NHL	(438,239)	35,875

Related party transactions

Interest charged to NHL	1,373,154	1,836,169
Interest charged by NHL	(1,803,511)	(732,778)
Dividends paid to NHL	(4,744,740)	(5,181,680)
Loan repayments to NHL	(15,326,318)	(4,837,890)
Expenses recharged by NHL	(218,800)	(219,120)
Expenses recharged from Ennismore	(2,048,266)	(1,410,060)
Management fees charged by Ennismore	(3,981,371)	(3,158,652)
Group tax relief claimed	(911,382)	-

Key management personnel are those who together, have authority and responsibility for planning, directing and controlling the activities of the group. Key management personnel remuneration for the current year is nil as all directors and senior management considered are remunerated by companies outside the group (2016 - Nil).

27. Post balance sheet events

On 1 March 2018, The Hoxton (Holborn) Limited acquired the hotel's restaurant business, Hubbard and Bell, from the previous operators, for a cash consideration of £0.7m. The acquisition accounting for this business combination is in the process of being finalised.

Newco NHL UK (17) Limited

Notes to the Financial Statements for the Period Ended 31 December 2017

28. Controlling party

The company is a subsidiary undertaking of Norlake Hospitality Limited, a company incorporated in England and Wales. The ultimate parent company is Bharti Overseas Private Limited. In the opinion of the directors there is no ultimate controlling party.

The largest and smallest group in which the results of the company are consolidated is that headed by Norlake Hospitality Limited, a company registered in England and Wales. The consolidated accounts are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.