

**Classic Lodges Limited**

**Strategic report, Directors' report  
and financial statements**

**Registered number SC141222**

**26 March 2020**



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## **Strategic report**

### **Objective**

To operate a profitable and cash generative hotel business, providing growth in shareholder value.

### **Strategy**

To improve the estate of hotels, the experience of our customers and the trading performance.

### **Principal risks and uncertainty**

The main uncertainties which the business faces are the level of economic activity, guest numbers, and competition in the form of prevailing room rates. The directors believe that these factors present both challenges and opportunities for the business.

In common with many UK businesses, particularly those in the hospitality sector, the ongoing potential effect of the Covid-19 pandemic and resultant UK government intervention is an exceptional uncertainty facing the Company at the time of signing these accounts.

During the financial year to 31 March 2020, and in the subsequent period to date, the Company has complied with the terms of its bank facilities, except for a breach of a financial covenant in March 2020 which was subsequently waived by its lender. In response to Covid-19 and the closure of the Company's hotels during the lockdown period for all but critical workers, management have taken actions to mitigate the significant impact on both profit and cash flow of this closure.

### **Performance during the year**

The directors monitor performance through production of a detailed annual budget and the comparison of actual performance against the budget.

### **Position at the end of the year**

The Company has a sound financial base from which to further improve the business.

### **Key performance indicators**

Additionally, the directors monitor key performance indicators to ensure they are within acceptable parameters, these include:

- Room rate and occupancy
- The ratio of key costs to income
- Hotel operating profit
- Cash generated from operating activities

## Strategic report *(continued)*

### Section 172 Statement

In accordance with section 172 (1) of the Companies Act 2006, in carrying out their duty to promote the success for its shareholders and in making key decisions, the directors have regard to the likely long term consequences of those decisions, employees' interests, other stakeholders including customers and suppliers, the community and the environment and maintaining a reputation for high standards of business.

#### *Likely long term consequences of their decisions*

The Classic Lodges business has been operating under the same family ownership for 25 years. In considering all key decisions, the preservation and enhancement of long term asset value and shareholder value are priorities of the directors.

#### *Employees' interests*

Further details on this are set out in the Directors' Report.

#### *Fostering business relationships with suppliers, customers and others*

Further details on this are set out in the Directors' Report.

#### *Operational impacts on the community and environment*

We engage with the local community through the planning process, supporting local charities and by providing employment. The directors and senior management are committed to protecting the environment by reducing GHG emissions as set out in the Directors' Report.

By order of the Board



**ML Widders**  
*Director*

Quartermile One  
15 Lauriston Place  
Edinburgh  
EH3 9EP

30<sup>th</sup> July 2020

## **Directors' report**

The directors present their report, together with the financial statements for the year ended 26 March 2020.

### **Results and dividends**

The Company's loss after tax for the year is £702,000 (2019: £94,000) and has been transferred from reserves. The directors do not recommend payment of a dividend (2019: £nil).

### **Principal activity and review of business**

The Company's principal activity is the ownership and operation of hotels.

### **Going concern**

The Directors have set out their assessment of the going concern status of the Company and related uncertainties arising as a result of Covid 19 in note 1 to the financial statements.

### **Directors**

The directors who served during the period were as follows:

CJ Hemmings  
JC Kay  
K Revitt  
ML Widders

### **Employees' interests**

The Company recognises the importance of engaging employees to help them make their fullest contribution to the business, which is fundamental to achieving the Company's strategy and long-term objectives.

The company's activities are geographically spread and local hotel managers are responsible for employee relations and development on a day to day basis. This is supported by regular visits by senior executives who are available to explain and provide employees with information on matters of concern to them as employees and to enable their views to be taken into account.

It is the policy and practice of the Company to give equal consideration to applications for employment from disabled persons having regard to the particular aptitudes and abilities of the applicants concerned. The services of any existing employee who becomes disabled are retained wherever practicable.

Annual appraisals are carried out to ensure that employees are given adequate feedback on their performance, identify training requirements and progression opportunities.

The Company is committed to improving the skills of employees through training and development and through encouraging employees to feel valued and motivated to achieve their potential. When vacancies occur, the skills and experience of all relevant employees are assessed and wherever possible vacancies are filled by promotion from within the organisation.

Statistics relating to the average number of people employed by the Company during the year can be found in Note 3 to the accounts.

### **Business Relationships**

The Directors recognise it is essential for the ongoing success and reputation of the business to develop strong relationships across its customer, supplier and wider stakeholder community. In order to achieve this, it applies a structure to build relationships through head office and regional offices.

The Directors and senior management consider the interests of the shareholder and all stakeholders at its regular board and management meetings and ensure that all stakeholders interests are considered when it is appropriate to do so.

## Directors' report *(continued)*

### Reporting of GHG Emissions

This statement reports the Company's GHG emissions for the period 29 March 2019 to 26 March 2020 in accordance with Streamlined Energy and Carbon Reporting (SECR).

The data has been calculated in accordance with SECR guidance and includes GHG emissions for all assets and facilities under the Company's direct operational control.

We have sourced our emissions factors from 2019 UK government GHG Conversion Factors for Company Reporting.

The intensity ratio has been calculated using turnover for the period 29 March 2019 to 26 March 2020.

The Company's target is a 20% reduction in carbon emissions intensity by the year to March 2025 against year to 26 March 2020 as a baseline.

The Company has undertaken a number of energy efficiency actions during the year, including implementing a number of recommendations from the audit reports commissioned under the Energy Savings Opportunities Scheme (ESOS).

Global GHG Emissions Data in tonnes CO<sub>2</sub>:

Electricity	506
Gas	1,028
Diesel	35
LPG	308
Heating Oil	230
	<b>2,107</b>
Turnover (£'000)	<b>14,362</b>
Intensity CO <sub>2</sub> tonnes per turnover £'000	0.147

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

By order of the board



**ML Widders**  
Director

Quartermile One  
15 Lauriston Place  
Edinburgh  
EH3 9EP

30<sup>th</sup> July 2020

## **Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

1 St Peter's Square  
Manchester  
M2 3AE  
United Kingdom

## **Independent auditor's report to the members of Classic Lodges Limited**

### **Opinion**

We have audited the financial statements of Classic Lodges Limited ("the company") for the year ended 26 March 2020 which comprise the profit and loss account, statement of other comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 26 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Material uncertainty related to going concern**

We draw attention to note 1 which indicates that the company is reliant on future covenant waivers from its lender and on additional funding from its immediate parent company the availability of which is uncertain.

These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our conclusion is not modified in respect of this matter.

### **Strategic Report and Directors' report**

The directors are responsible for the Strategic Report and Directors' Report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:



## **Independent auditor's report to the members of Classic Lodges Limited *(continued)***

- we have not identified material misstatements in the Strategic Report and Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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;

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

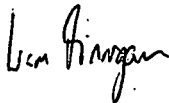
A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## **Independent auditor's report to the members of Classic Lodges Limited** *(continued)*

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Liam Finnigan (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
One St Peter's Square  
Manchester, M2 3AE

30<sup>th</sup> July 2020

**Profit and loss account**  
*for the year ended 26 March 2020*

	<i>Note</i>	<b>2020</b> <b>£000</b>	<b>2019</b> <b>£000</b>
<b>Turnover</b>	<i>1</i>	<b>14,362</b>	<b>14,913</b>
Cost of sales		<b>(9,032)</b>	<b>(8,699)</b>
		<hr/>	<hr/>
<b>Gross profit</b>		<b>5,330</b>	<b>6,214</b>
Administrative expenses		<b>(6,158)</b>	<b>(6,389)</b>
Profit on sale of fixed assets		<b>251</b>	<b>266</b>
		<hr/>	<hr/>
<b>Operating (loss) / profit</b>	<i>2</i>	<b>(577)</b>	<b>91</b>
Interest payable and similar charges	<i>4</i>	<b>(164)</b>	<b>(199)</b>
		<hr/>	<hr/>
<b>Loss before taxation</b>	<i>2</i>	<b>(741)</b>	<b>(108)</b>
Taxation on loss	<i>5</i>	<b>39</b>	<b>14</b>
		<hr/>	<hr/>
<b>Loss for the financial year</b>		<b>(702)</b>	<b>(94)</b>
		<hr/>	<hr/>

**Statement of other comprehensive income**  
*for the year ended 26 March 2020*

There are no other gains and losses in either year, other than those disclosed in the profit and loss account above.  
The notes on pages 12 to 21 form an integral part of these financial statements.

## Balance sheet

as at 26 March 2020

	Notes	2020 £000	2019 £000
<b>Fixed Assets</b>			
Tangible Assets	6	24,430	24,869
<b>Current Assets</b>			
Stock	7	99	150
Debtors	8	609	770
Cash at bank and in hand		30	224
		<u>738</u>	<u>1,144</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(8,273)</u>	<u>(4,147)</u>
<b>Net current liabilities</b>		<b>(7,535)</b>	<b>(3,003)</b>
<b>Total assets less current liabilities</b>		<b>16,895</b>	<b>21,866</b>
<b>Creditors: amounts falling due after more than one year</b>	10	-	(4,269)
<b>Provisions for liabilities and charges</b>	11	-	-
<b>Net assets</b>		<b>16,895</b>	<b>17,597</b>
<b>Capital and reserves</b>			
Called up share capital	12	7	7
Profit and loss account		16,888	17,590
<b>Shareholders' funds</b>		<b>16,895</b>	<b>17,597</b>

The notes on pages 12 to 21 form an integral part of these financial statements.

Approved by the board of directors on 30th July 2020 and signed on its behalf by:



**M L Widders**  
Director

Registered number SC141222

## Statement of Changes in Equity

	Called Up Share Capital £000	Share Premium £000	Profit & Loss Account £000	Total Equity £000
Balance at 30 March 2018	7	-	17,684	17,691
Loss for the year	-	-	(94)	(94)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 28 March 2019</b>	<b>7</b>	<b>-</b>	<b>17,590</b>	<b>17,597</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 28 March 2019	7	-	17,590	17,597
Loss for the Year	-	-	(702)	(702)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 26 March 2020</b>	<b>7</b>	<b>-</b>	<b>16,888</b>	<b>16,895</b>
	<hr/>	<hr/>	<hr/>	<hr/>

The notes on pages 12 to 21 form an integral part of these financial statements.

## Notes to the financial statements

### 1 Accounting policies

Classic Lodges Limited is a private company registered in Scotland in the UK. The registered number is SC141222 and the registered address is Quartermile One, 15 Lauriston Place, Edinburgh EH3 9EP.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

#### *Basis of preparation*

These financial statements were prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

The financial statements have been prepared on the historical cost convention.

The financial statements have been prepared based upon the Company's trading cycle of a 52-week period ending 26 March 2020 (2019: 28 March 2019) within seven days of the end of the accounting reference period as permitted by the Companies Act.

The Company's parent undertaking, Paragon Hotels Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Paragon Hotels Limited are available to the public and may be obtained from the address included in note 16. In these financial statements, the Company is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures have been applied:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

#### *Accounting estimates and judgements*

The directors, in application of these accounting policies, have made certain judgements and estimates that may have significant effect on the financial statements.

A key area of judgement made by the directors in these financial statements has been the consideration of impairment of tangible fixed assets.

#### *Going Concern*

The Directors have prepared these financial statements on a going concern basis which they consider to be appropriate for the following reasons.

The Company's business activities, together with the factors likely to affect future trading are set out in the Strategic Report on page 1.

The Company's activities are funded through a combination of bank facilities and loans from its immediate parent undertaking. The bank facilities have financial covenants associated with them and the Company has obtained a waiver from its lender for all covenants up to and including June 2021.

The Directors have prepared cash flow forecasts for the Company for at least 12 months from the date of approval of these financial statements. In preparing these forecasts they have considered the impact of COVID-19, including consideration of severe but plausible downside scenarios. Specifically, they have considered a base case scenario which models reopening in October 2020 with a gradual return to normalised trade, through to a worst case downside forecast which anticipates closure through to the end of the calendar year as a result of potential further lockdowns and a gradual return to normal trade thereafter. The current position is that whilst the hotels were closed during lockdown for all but critical workers, they have now reopened and resumed trading albeit at a reduced level of revenues.

## Notes to the financial statements *(continued)*

### 1 Accounting policies *(continued)*

#### *Going concern (continued)*

The forecasts are reliant on additional funding from the Company's immediate parent company which has agreed to provide further loans which are sufficient in the base case scenario. However, the downside scenario indicates that further financial support would be required from the immediate parent company. Based on the ongoing discussions between the Directors and the immediate parent company, the Directors have no reason to believe such support would not be provided if required.

In considering these forecasts, the Directors have identified potential future covenants breaches. The Company has agreed with its lender that the financial covenants have been waived at each quarterly testing date up to and including June 2021. Under the base case scenario further breaches could occur in the period beyond 12 months from the date of approval of these financial statements for which no waiver has yet been obtained. The Company's lenders will only grant covenant waivers for a 12 month period, in accordance with their standard policy. The implication of this is that the lender could require the facility to be repaid within the forecast period which would require the Company to secure alternative funding. The Directors remain in constructive discussion with the lenders and have no reason to believe further waivers would not be provided if required and consequently consider it is appropriate to prepare the accounts on a going concern basis.

However the absence as at the date of signing these financial statements of an agreement with the lender to amend or waive the financial covenants for the period from September 2021 onwards, along with the possibility of further support required from the immediate parent company which is not yet committed, gives rise to a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

#### *Turnover*

Turnover comprises the value of sales of goods and services supplied in the normal course of operation of a hotel business (excluding value added tax).

#### *Interest receivable and Interest payable*

Interest payable and similar expenses include interest payable. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established.

#### *Taxation*

Tax on the profit or loss for the year comprises current and deferred tax, where applicable. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Tangible fixed assets and depreciation*

Depreciation is provided to write down the assets to their estimated residual value by equal instalments over their useful economic lives as follows:

Land	-	not depreciated
Freehold hotel properties	-	50 years
Fixture, fittings and equipment	-	4 – 10 years

#### *Impairment*

At each reporting date, the directors make an assessment to determine whether there is an indication that tangible fixed assets are impaired. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use.

In these financial statements, in considering the recoverable amount of tangible fixed assets, the directors have made an allowance for the potential downside effect of Covid-19 and are satisfied no impairment is required.

#### *Stocks*

Stocks are estimated at the lower of their cost or net realisable value.

#### *Basic financial instruments*

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

#### *Employee benefits*

##### *Defined contribution plans and other long term employee benefits*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

The Company makes employer contributions to defined contribution pension schemes on behalf of certain employees. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

#### *Expenses*

##### *Operating leases*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.



## Notes (continued)

### 2 Expenses and auditor's remuneration

Included in the loss for the year are the following:

	2020 £000	2019 £000
Auditors' remuneration - Audit services	33	28
- Non-audit services	3	16
Profit on disposal of fixed assets	(251)	(266)
Depreciation of owned assets	865	934
Operating leases		
- Hire of plant and machinery	63	62
	<u>          </u>	<u>          </u>

### 3 Staff numbers and costs

	2020 £000	2019 £000
<i>Staff costs</i>		
Wages and salaries	6,473	6,494
Social security costs	422	474
Other pension costs	130	104
	<u>          </u>	<u>          </u>
	7,025	7,072
	<u>          </u>	<u>          </u>

The average monthly number of employees during the year (including directors) was made up as follows:

	2020 No.	2019 No.
Hotel staff	407	433
	<u>          </u>	<u>          </u>

#### *Directors' emoluments*

The directors received no remuneration from the Company for services provided to the Company in either the current or prior year.

The directors of the Company are employed and remunerated by other related companies. There has been no attribution of their remuneration to directors' emoluments of the Company, as their services as directors of the Company are not considered to be significant in relation to their overall duties.

## Notes (continued)

### 4 Interest payable and similar charges

	2020 £000	2019 £000
Bank interest payable	164	199

### 5 Taxation on loss on ordinary activities

	2020 £000	2019 £000
UK Corporation tax at 19% (2019: 19%) on the loss for the year	-	-
Adjustments in respect of prior years	14	(5)
Group relief receivable	(53)	(9)
Total current tax credit for the year	(39)	(14)

#### Factors affecting the current tax for the year

The tax credit (2019: credit) assessed on the loss on ordinary activities for the year is lower (2019: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2020 £000	2019 £000
Loss for the year	(702)	(94)
Total tax expense	(39)	(14)
Loss before tax	(741)	(108)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(141)	(21)
Effects of:		
Disallowed expenses and non-taxable income	5	4
Fixed asset timing differences	81	82
Deferred tax not recognised	2	(28)
Adjustment in respect of previous periods	14	
Income not taxable for tax purposes	-	(51)
Total tax credit included in profit or loss	(39)	(14)

A corporation tax rate of 19% (effective from 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the Company's future tax charge accordingly.

The deferred tax liability at 26 March 2020 has been calculated at 19% (2019: 17%).

## Notes (continued)

### 6 Tangible fixed assets

	Freehold land and buildings £000	Fixtures, fittings and equipment £000	Total £000
<b>Cost</b>			
As at 28 March 2019	26,124	17,726	43,850
Additions	80	346	426
	<hr/>	<hr/>	<hr/>
As at 26 March 2020	26,204	18,072	44,276
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
As at 28 March 2019	3,467	15,514	18,981
Provided during the period	275	590	865
	<hr/>	<hr/>	<hr/>
As at 26 March 2020	3,742	16,104	19,846
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 26 March 2020	22,462	1,968	24,430
	<hr/>	<hr/>	<hr/>
As at 28 March 2019	22,657	2,212	24,869
	<hr/>	<hr/>	<hr/>

### 7 Stocks

	2020 £000	2019 £000
Food	-	34
Liquor	99	82
Other	-	34
	<hr/>	<hr/>
	99	150
	<hr/>	<hr/>

### 8 Debtors

	2020 £000	2019 £000
Trade debtors	214	310
Amounts due from Group undertakings	18	25
Other debtors and prepayments	377	435
	<hr/>	<hr/>
	609	770
	<hr/>	<hr/>

## Notes (continued)

### 9 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Bank overdraft	1,327	703
Bank loan	2,000	-
Loan from parent company	2,000	-
Trade creditors	439	435
Amounts due to group undertakings	580	382
Other taxation and social security	433	617
Other creditors	1,059	1,479
Accruals	435	531
	<u>8,273</u>	<u>4,147</u>

The bank loan has been classified as repayable within one year as the Company breached a financial covenant at 31 March 2020 due to the effect of the Covid-19 pandemic. This covenant breach has since been waived by the bank.

The loan from parent company is unsecured, interest free and repayable on demand, subject to its subordination to the Company's bank loan.

### 10 Creditors: amounts falling due after more than one year

	2020 £000	2019 £000
Bank loan	-	4,269
	<u>-</u>	<u>4,269</u>

The bank loan is repayable as follows:

	2020 £000	2019 £000
Within one year	2,000	-
Between 1 – 2 years	-	-
Between 2 – 5 years	-	4,269
Greater than 5 years	-	-
	<u>2,000</u>	<u>4,269</u>

The bank loan and overdraft are secured on all of the Company's properties and bear interest at a rate based on LIBOR plus a margin.

## Notes (continued)

### 11 Provisions for liabilities and charges

The amounts provided for deferred tax are set out below:

	2020 £000	2019 £000
Provision at the end of the period	-	-
The elements of deferred tax are as follows:		
	2020 £000	2019 £000
Fixed asset timings differences	181	155
Other timing differences	(27)	(15)
Tax losses	(154)	(140)
	-	-

The Company has an unrecognised deferred tax asset of £590,374 (2019: £573,427) in respect of capital losses. These losses would be available for offset against future capital gains. This asset is not expected to crystallise in the foreseeable future.

The Company has an unrecognised tax asset of £121,952 (2019: £127,558) in respect of trading losses. This is available for offset against future trading profits. This asset is not expected to crystallise in the foreseeable future.

### 12 Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
700,002 Ordinary shares of £0.01 each	7	7

### 13 Pensions

Certain of the Company's employees are members of defined contribution pension schemes. The assets of the schemes are held separately from those of the Company. The pension costs charge represents pension contributions payable by the Company to the funds and amounted to £130,000 (2019: £104,000). There were contributions outstanding at the end of the financial year of £17,000 (2019: £9,000).

### 14 Operating leases

The Company has non-cancellable operating lease commitments repayable as follows

	2020 £000	2019 £000
Within one year	22	24
Between 1 – 2 years	10	21
Between 2 – 5 years	0	9
	32	54

## Notes (continued)

### 15 Related party transactions

#### *Northern Trust Company Limited*

During the year the Company paid fees of £31,000 (2019: £24,000) for administration services and £nil (2019: £4,000) for rental charges to Northern Trust Company Limited. There was £6,000 (2019: £3,000) owed to Northern Trust Company Limited at the year end.

During the year the Company surrendered tax losses with a value of £53,000 (2019: £9,000) to Northern Trust Company Limited. At the year end an amount was due from Northern Trust Company Limited in respect of these losses of £4,000 (2019: To Northern Trust Company Limited £1,000).

During the year £10,000 of services were provided to Northern Trust Company Limited (2019: £4,000) and £1,000 (2019: £1,000) was owed by Northern Trust Company Limited to the Company in respect of these services at the end of the year.

#### *Preston North End Limited*

During the year the Company received income of £39,642 (2019: £59,311) from Preston North End Limited. The amount owed by Preston North End to the Company at the end of the financial year was £8,183 (2019: £15,448).

#### *Ramsey Park Hotel Limited*

During the year the Company charged £100,000 of management charges and hotel services (2019: £100,081) to Ramsey Park Hotel Limited. The amount outstanding at the year end from Ramsey Park Hotel Limited was £nil (2019: £1,436).

During the year the company purchased services from Ramsey Park Hotel to the value of £2,426 (2019: £79). At the end of the year £100 was owed to Ramsey Park Hotel (2019: £146).

#### *Hemway Limited*

During the year management fees of £nil (2019: £nil) were paid to Hemway Limited. At the end of the year the Company owed £1,543 (2019: £7,000) to Hemway Limited.

Services valued at £2,983 were sold to Hemway Limited during the financial year (2019: £2,563). At the year end £530 was owed by Hemway to the Company (2019: £nil)

#### *Gleadhill House Stud Limited*

During the year the Company provided services to Gleadhill House Stud Limited to the value of £6,335 (2019: £7,000). At the end of the year £7,602 (2019: £7,000) was owed by Gleadhill House Stud Limited to the Company.

#### *Ambrose Hire Limited*

During the year the Company provided services to Ambrose Limited to the value of £172 (2019: £193). At the end of the year £nil (2019: £nil) was owed by Ambrose Hire Limited to the Company.

#### *Trust Inns Limited*

During the year the Company provided services to Trust Inns Limited to the value of £672 (2019: £1,023). At the end of the year £nil (2019: £nil) was owed by Trust Inns Limited to the Company.

During the year the Company paid rent to Trust Inns Limited to the value of £30,000 (2019: £25,887). At the end of the year £4,229 (2019: £5,000) was owed by the Company to Trust Inns Limited.

#### *Ensko 1156 Limited*

At the end of the year £567,000 (2019: £367,000) was owed by the Company to Ensko 1156 Limited.

The family interests of Mr TJ Hemmings are the ultimate controlling party of Classic Lodges Limited and the above companies.

**Notes** *(continued)*

**16 Immediate parent company and ultimate controlling party**

The Company's immediate parent undertaking is Paragon Hotels Limited, (formerly Ensco 1156 Limited); a company registered in England and Wales.

The largest and smallest group in which the results of the Company are consolidated is that headed by Paragon Hotels Limited. The consolidated accounts of this group are available to the public and may be obtained from The Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate controlling party are the family interests of Mr T J Hemmings.