

Norlake Hospitality Limited

Annual Report and Financial Statements

Year Ended

31 December 2018

Company Number 08075340

THURSDAY



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Norlake Hospitality Limited

Company Information

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

Norlake Hospitality Limited

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Norlake Hospitality Limited

Group strategic report for the Year Ended 31 December 2018

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2018.

Principal activities

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

Performance summary

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

The group has six operating hotels trading using 'The Hoxton' brand name which comprise 961 bedrooms, 26 meeting rooms and 13 restaurants and bars. In addition, in 2018, the group acquired Eynsham Hall, a country house hotel in Oxfordshire.

The group opened two new Hoxton branded hotels in 2018, The Hoxton Williamsburg and The Hoxton Portland, the group's first hotels in the United States of America. In April 2019, The Hoxton Chicago opened with further openings planned for later in 2019.

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 average rate. In 2018, for those hotels open for the full financial year, both ADR and RevPAR increased compared to 2017. In addition:

- Hotel revenue up 68% to £67.3m (2017 - £40.0m)
- Gross profit up 46% to £37.9m (2017 - £26.0m)

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

Operational highlights

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

Development

The group has continued to expand their portfolio during the year, with the acquisition of the Eynsham Hall Hotel in Oxfordshire, United Kingdom in April 2018. The directors are currently considering development opportunities to maximise the future potential of this hotel.

The directors are satisfied that there is a pipeline of potential new sites which represent attractive investment opportunities and will make a positive contribution to the group as they are acquired, developed and commence operations.

Future outlook

Trade across the group's hotels has started positively during 2019, and this, together with advanced bookings for the second half of the year, positions the group well towards achieving its 2019 performance targets.

Norlake Hospitality Limited

Group strategic report (continued) for the Year Ended 31 December 2018

Principal risks and uncertainties

Economic

The directors have assessed the main risk facing the group as being the occurrence of shocks to the European and American economies, 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 continue 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, the directors will take swift action to mitigate the impact on the business.

Financial risk management

Interest rate risk

The group finances its operations through shareholder loans and 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 whilst maximising returns on surplus funds.

Foreign exchange risk

Hedge accounting is not used by the group.

Group funds are principally invested in Pound Sterling deposit accounts, but other funds are invested in Euro and US Dollar accounts. The group's funds are held primarily in short term variable deposit accounts. The directors believe that this gives them the flexibility to release cash resources at short notice and also allows them to take advantage of changing conditions in the finance markets as they arise.

The group has bank loans denominated in Pound Sterling and Euro. Shareholder loans are principally denominated in Pound Sterling, Euros and US Dollars.

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 benefited from stronger demand from international travellers driven by the weaker pound.

Norlake Hospitality Limited

Group strategic report (continued) for the Year Ended 31 December 2018

Employee involvement

The group employed on average 609 people during 2018 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.

The group is a multi-cultural community operating in an increasingly diverse business world and is committed to active equality and diversity practices. The group offers people with disability the same opportunities for employment, training and career progression as other employees. Employees who become disabled and unable to continue in their existing jobs are given the opportunity to be retrained for suitable alternative employment. It is also committed to attracting and retaining talented people. The company invests in the growth and development of its people, which contributes directly to the performance and results of the business. The company is committed to the safety and wellbeing of employees at work.

People development

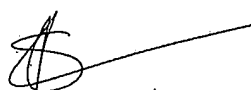
Upon joining, all new team members undergo a relevant and comprehensive induction program developed to provide support and guidance for their role.

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.

Events after the reporting date

Please see note 29 to the financial statements for details of events after the reporting date.

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



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S Pasricha
Director

Date: 31 May 2019

Norlake Hospitality Limited

Directors' report for the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors' responsibilities

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

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

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

Results and dividends

The loss for the year, after taxation, amounted to £32,381,222 (2017 - loss £12,596,475).

The directors have not recommended a dividend (2017 - £Nil).

Directors

The directors who served during the year were:

J C van de Vreede (resigned 1 June 2018)
C H B Oakshett (resigned 27 April 2018)
S Kapasi
S Pasricha
N Mittal
S B Mittal
S Balachandran (appointed 30 November 2018)

Matters covered in the strategic report

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

Norlake Hospitality Limited

Directors' report (continued) for the Year Ended 31 December 2018

Disclosure of information to auditor

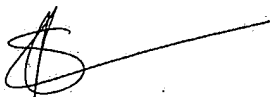
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- 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.



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S Pasricha
Director

Date: 31 May 2019

Norlake Hospitality Limited

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

Opinion

We have audited the financial statements of Norlake Hospitality Limited ("the parent company") and its subsidiaries ("the group") for the year ended 31 December 2018 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 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Norlake Hospitality Limited

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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 year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

Norlake Hospitality Limited

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of 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.

BDO LLP

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

Date: *31 May 2019*

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

Norlake Hospitality Limited

Consolidated statement of comprehensive income for the Year Ended 31 December 2018

	Note	2018 £	2017 £
Turnover	4	67,301,818	39,962,554
Cost of sales		(29,381,741)	(13,927,113)
Gross profit		37,920,077	26,035,441
Administrative expenses		(39,627,845)	(24,128,242)
Other operating income	6	205,886	282,032
Operating (loss)/profit	5	(1,501,882)	2,189,231
Interest receivable and similar income	9	186,051	49,950
Interest payable and similar charges	10	(14,829,052)	(10,915,100)
Other finance expenses		(875,179)	(591,000)
Foreign exchange on borrowings		(12,832,319)	(852,818)
Loss before taxation		(29,852,381)	(10,119,737)
Tax on loss	11	(2,528,841)	(2,476,738)
Loss for the financial year		(32,381,222)	(12,596,475)
Currency translation differences		8,145,660	(1,356,293)
Other comprehensive income/(expense) for the year		8,145,660	(1,356,293)
Total comprehensive loss for the year		(24,235,562)	(13,952,768)

All amounts relate to continuing operations.

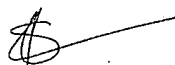
The notes on pages 17 to 46 form part of these financial statements.

Norlake Hospitality Limited
Registered number: 08075340

**Consolidated statement of financial position
as at 31 December 2018**

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	12	4,218,497	856,436
Tangible assets	13	691,513,316	516,429,279
Long term deposits	15	3,789,733	2,653,135
		<u>699,521,546</u>	<u>519,938,850</u>
Current assets			
Stocks	16	1,422,937	415,613
Debtors	17	36,880,436	14,122,634
Cash and cash equivalents		28,520,319	35,291,783
		<u>66,823,692</u>	<u>49,830,030</u>
Creditors: amounts falling due within one year	18	(36,593,396)	(20,755,130)
Net current assets		<u>30,230,296</u>	<u>29,074,900</u>
Total assets less current liabilities		<u>729,751,842</u>	<u>549,013,750</u>
Creditors: amounts falling due after more than one year	19	(477,312,509)	(336,239,032)
Deferred taxation	21	(22,016,482)	(19,497,846)
Net assets		<u><u>230,422,851</u></u>	<u><u>193,276,872</u></u>
Capital and reserves			
Share capital	22	1	1
Other reserve	23	5,274	5,224
Foreign exchange reserve	23	12,157,462	4,011,802
Capital contribution reserve	23	254,488,252	204,318,926
Merger reserve	23	1	1
Accumulated losses	23	(36,997,239)	(15,828,182)
Non-controlling interests	23	769,100	769,100
		<u><u>230,422,851</u></u>	<u><u>193,276,872</u></u>

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



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S Pasricha

Director

Date: 31 May 2019

The notes on pages 17 to 46 form part of these financial statements.

Norlake Hospitality Limited

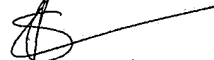
Registered number: 08075340

Company statement of financial position as at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	12	707,106	-
Investments	14	64,319,701	64,318,751
		<u>65,026,807</u>	<u>64,318,751</u>
Current assets			
Debtors: amounts falling due after more than one year	17	125,113,299	78,749,477
Debtors: amounts falling due within one year	17	472,351,547	372,264,728
Cash and cash equivalents		2,654,348	14,191,451
		<u>600,119,194</u>	<u>465,205,656</u>
Creditors: amounts falling due within one year	18	(6,319,041)	(749,034)
Net current assets		<u>593,800,153</u>	<u>464,456,622</u>
Total assets less current liabilities		<u>658,826,960</u>	<u>528,775,373</u>
Creditors: amounts falling due after more than one year	19	(293,121,681)	(218,212,945)
Net assets		<u><u>365,705,279</u></u>	<u><u>310,562,428</u></u>
Capital and reserves			
Share capital	22	1	1
Capital contribution reserve	23	254,488,252	204,318,926
Retained earnings	23	111,217,026	106,243,501
		<u><u>365,705,279</u></u>	<u><u>310,562,428</u></u>

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2008 and has not presented its own statement of comprehensive income in these financial statements. The loss after tax of the parent company for the year was £6,238,640 (2017 - profit of £427,735).

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



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S Pasricha
Director

Date: 31 May 2019

The notes on pages 17 to 46 form part of these financial statements.

Norlake Hospitality Limited

Consolidated statement of changes in equity for the Year Ended 31 December 2018

	Share capital	Other reserve	Foreign exchange reserve	Capital contribution reserve	Merger reserve	Accumulated losses	Non- controlling interests	Total equity
	£	£	£	£	£	£	£	£
At 1 January 2018	1	5,224	4,011,802	204,318,926	1	(15,828,182)	769,100	193,276,872
Comprehensive loss for the year								
Loss for the year	-	-	-	-	-	(32,381,222)	-	(32,381,222)
Currency translation differences	-	-	8,145,660	-	-	-	-	8,145,660
Total comprehensive loss for the year	-	-	8,145,660	-	-	(32,381,222)	-	(24,235,562)
Transfer between reserves	-	-	-	(11,212,165)	-	11,212,165	-	-
Issue of shares in subsidiaries	-	50	-	-	-	-	-	50
Capital contribution from parent company	-	-	-	61,381,491	-	-	-	61,381,491
At 31 December 2018	1	5,274	12,157,462	254,488,252	1	(36,997,239)	769,100	230,422,851

The notes on pages 17 to 46 form part of these financial statements.

Norlake Hospitality Limited

Consolidated statement of changes in equity for the Year Ended 31 December 2017

	Share capital	Other reserve	Foreign exchange reserve	Capital contribution reserve	Merger reserve	Accumulate d losses	Non- controlling interests	Total equity
	£	£	£	£	£	£	£	£
At 1 January 2017	1	5,122	5,368,095	148,834,178	1	(11,522,050)	-	142,685,347
Comprehensive loss for the year								
Loss for the year	-	-	-	-	-	(12,596,475)	-	(12,596,475)
Currency translation differences	-	-	(1,356,293)	-	-	-	-	(1,356,293)
Total comprehensive loss for the year	-	-	(1,356,293)	-	-	(12,596,475)	-	(13,952,768)
Transfer between reserves	-	-	-	(8,290,343)	-	8,290,343	-	-
Investment by non-controlling interest	-	-	-	-	-	-	769,100	769,100
Issue of shares in subsidiaries	-	102	-	-	-	-	-	102
Capital contribution from parent company	-	-	-	63,775,091	-	-	-	63,775,091
At 31 December 2017	1	5,224	4,011,802	204,318,926	1	(15,828,182)	769,100	193,276,872

The notes on pages 17 to 46 form part of these financial statements.

Norlake Hospitality Limited

Company statement of changes in equity for the Year Ended 31 December 2018

	Share capital £	Capital contribution reserve £	Retained earnings £	Total equity £
At 1 January 2018	1	204,318,926	106,243,501	310,562,428
Comprehensive loss for the year				
Loss for the year	-	-	(6,238,640)	(6,238,640)
Total comprehensive loss for the year	-	-	(6,238,640)	(6,238,640)
Transfer between reserves	-	(11,212,165)	11,212,165	-
Capital contribution from parent company	-	61,381,491	-	61,381,491
At 31 December 2018	1	254,488,252	111,217,026	365,705,279

Company statement of changes in equity for the Year Ended 31 December 2017

	Share capital £	Capital contribution reserve £	Retained earnings £	Total equity £
At 1 January 2017	1	148,834,178	13,220,017	162,054,196
Comprehensive income for the year				
Profit for the year	-	-	427,735	427,735
Profit on sale of subsidiaries to another group undertaking	-	-	84,305,406	84,305,406
Total comprehensive income for the year	-	-	84,733,141	84,733,141
Transfer between reserves	-	(8,290,343)	8,290,343	-
Capital contribution from parent company	-	63,775,091	-	63,775,091
At 31 December 2017	1	204,318,926	106,243,501	310,562,428

The notes on pages 17 to 46 form part of these financial statements.

The profit on sale of subsidiaries to another group undertaking has been recognised in other comprehensive income on the basis it is unrealised and is a transaction within the Norlake Hospitality group.

Norlake Hospitality Limited

Consolidated statement of cash flows for the Year Ended 31 December 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Loss for the financial year		(32,381,222)	(12,596,475)
Adjustments for:			
Amortisation of intangible fixed assets	12	243,189	59,406
Depreciation of tangible fixed assets	13	9,560,246	5,588,483
Loss on disposal of tangible fixed assets		7,784	-
Interest credited to income statement	9	(186,051)	(49,950)
Interest charged to income statement	10	14,829,052	10,915,100
Other finance expense charged to income statement		875,179	591,000
Foreign exchange on borrowings		12,832,319	852,818
Taxation charged to the income statement	11	2,528,841	2,476,738
Increase in stocks		(1,007,324)	(369,835)
Increase in debtors		61,298	(9,374,570)
Increase in creditors		2,573,008	5,603,865
Corporation tax paid		(2,277,231)	(2,865,951)
Foreign exchange		61,819	(3,426,900)
Net cash generated from/(used in) operating activities		7,720,907	(2,596,271)
Cash flows from investing activities			
Purchase of intangible fixed assets		(903,049)	-
Purchase of tangible fixed assets		(145,751,254)	(101,815,472)
Proceeds on disposal of tangible fixed assets		6,951	-
VAT paid on investing activities		(2,363,031)	-
Amounts held in escrow		(5,282,056)	-
Refundable deposits on investing activities		(5,927,200)	-
Long term deposits		(1,136,598)	(2,653,136)
Interest received		127,233	49,950
Loan to related party	17	(8,500,000)	-
Cash acquired on business combinations	24	3,000	140,541
Consideration paid on business combinations	24	(10,076,269)	(7,284,093)
Investment by non-controlling interests		-	769,100
Net cash used in investing activities		(179,802,273)	(110,793,110)

Norlake Hospitality Limited

Consolidated statement of cash flows (continued) for the Year Ended 31 December 2018

	Note	2018 £	2017 £
Cash flows from financing activities			
New secured bank loans		66,357,150	113,960,850
Loan arrangement fee		(1,225,040)	(596,023)
Repayment of bank loans		-	(112,480,914)
New loans from group companies		174,157,916	130,346,120
Loans from group companies repaid		(71,022,127)	-
Interest paid		(3,832,475)	(2,815,618)
Net cash generated from financing activities		164,435,424	128,414,415
Net (decrease)/increase in cash and cash equivalents		(7,645,942)	15,025,034
Cash and cash equivalents at beginning of year		35,291,783	19,712,190
Movement on foreign exchange		874,478	554,559
Cash and cash equivalents at the end of year		28,520,319	35,291,783

The notes on pages 17 to 46 form part of these financial statements.

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

1. General information

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

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

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

Parent company disclosure exemptions

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

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

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

2. Accounting policies (continued)

The following principal accounting policies have been applied:

2.2 Basis of consolidation

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

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 January 2014.

Therefore, the group continues to recognise a merger reserve which arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.

2.3 Going concern

The directors have reviewed the cash flow projections prepared by management for the development projects to which the company's subsidiaries are committed. The company's parent group has committed to provide funding and the directors have received confirmation from the parent group that the funding for these projects will be made available to the group to ensure it can meet its liabilities as they fall due. In addition, the parent group has confirmed that the loans to the company will not be recalled for a period of at least twelve months following the approval of these financial statements.

The cash flow projections indicate that with the agreed funding arrangements, the group is able to meet its ongoing 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.

2.4 Turnover

The turnover shown in the statement of comprehensive income represents amounts receivable during the year, exclusive of Value Added Tax. The group has derived its turnover from the operation of hotels and from rental income from tenanted properties. Room revenue is the main source of turnover for the group. This is recognised over the period the rooms are occupied. Other income is recognised when an invoice is raised to the customer. Rental income is recognised in the period in which it is earned.

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

2. Accounting policies (continued)

2.5 Intangible assets

Goodwill

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

Other intangible assets

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

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

2.6 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.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

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

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

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

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

2. Accounting policies (continued)

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 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.

2.9 Debtors

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

2.10 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.

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

2. Accounting policies (continued)

2.11 Financial instruments

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

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

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

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

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.

2.12 Put option liability

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

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

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.

2.17 Operating leases

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

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

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

2.19 Interest income

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

2.20 Current and deferred taxation

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

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

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

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

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.

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

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

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

- Determine whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. 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 are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- *Impairment of investments in subsidiaries*
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. The carrying amount of investments in subsidiaries at the reporting date was £64,319,701 (2017 - £64,318,751) with no impairment loss recognised in 2018 or 2017.
- *Recoverability of amounts owed by group undertakings*
Provision for impairment of the carrying value of amounts due from group undertakings is made based on management's 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 in the current year in respect of these balances (2017 - £Nil).
- *Interest on shareholder loan*
Over the past few years, the company's shareholder has made interest free loans to the company to fund the activities of the group. In accordance with FRS 102, this interest free loan is discounted using a suitable market interest rate for an equivalent loan provided by an unconnected third party at arm's length. This requires the directors to make estimates regarding the market rate of interest on the loan.

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

3. Judgements in applying accounting policies (continued)

- *Fair value of put option liability (see note 19)*

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

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

Calculation of the fair value of the consideration payable requires the application of key assumptions around the future forecast trading performance of the relevant subsidiary, anticipated future capital investment into the subsidiary, likely timing of exit event or exercising of the put option and discount rates. As at 31 December 2018 the calculated fair value of the consideration payable has been recognised as an amount payable to a related party. The valuation is subject to change in the event that there is a change in any of the assumptions used.

4. Turnover

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

	2018 £	2017 £
Hotel operations	67,121,434	39,886,902
Rental income	180,384	75,652
	<u>67,301,818</u>	<u>39,962,554</u>

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	32,864,088	25,304,531
Europe	29,577,468	14,627,189
United States	4,860,262	30,834
	<u>67,301,818</u>	<u>39,962,554</u>

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

5. Operating (loss)/profit

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

	2018 £	2017 £
Depreciation of tangible fixed assets	9,560,246	5,588,483
Amortisation of intangible fixed assets	243,189	59,406
Loss on disposal of tangible fixed assets	7,784	-
Fees payable to the group's auditor for the audit of the financial statements	142,300	72,500
Fees payable to the group's auditor for tax services	62,960	54,080
Other operating lease rentals	1,035,227	719,583
	<u>1,035,227</u>	<u>719,583</u>

6. Other operating income

	2018 £	2017 £
Refund of business rates	205,886	-
Profit on disposal of right to acquire investment	-	282,032
	<u>205,886</u>	<u>282,032</u>

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

7. Employees

Staff costs were as follows:

	Group 2018 £	Group 2017 £
Wages and salaries	17,786,983	6,741,232
Social security costs	2,382,622	810,455
Cost of defined contribution scheme	424,508	153,031
	<u>20,594,113</u>	<u>7,704,718</u>

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

	2018 No.	2017 No.
Administrative staff	527	172
Management staff	82	53
	<u>609</u>	<u>225</u>

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	654,167	616,761
Company contributions to money purchase pension plans	2,250	4,000
Compensation for loss of office	477,614	-
	<u>1,134,031</u>	<u>620,761</u>

During the year retirement benefits were accruing to 1 director (2017 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £211,667 (2017 - £301,615).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2017 - £4,000).

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

9. Interest receivable and similar income

	2018 £	2017 £
Interest receivable from related parties	124,219	-
Other interest receivable	61,832	49,950
	<u>186,051</u>	<u>49,950</u>

10. Interest payable and similar charges

	2018 £	2017 £
Bank interest payable	3,533,531	2,624,757
Interest on loans from parent company	11,212,165	8,290,343
Other interest payable	83,356	-
	<u>14,829,052</u>	<u>10,915,100</u>

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

11. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	1,228,540	1,271,352
Adjustments in respect of prior periods	(512,100)	(51,520)
	<u>716,440</u>	<u>1,219,832</u>
Foreign tax		
Foreign tax on income for the year	810,619	727,545
Foreign tax in respect of prior periods	64,567	1,482
	<u>875,186</u>	<u>729,027</u>
Total current tax	<u>1,591,626</u>	<u>1,948,859</u>
Deferred tax		
Origination and reversal of timing differences	634,305	476,446
Adjustments in respect of prior periods	302,910	51,433
	<u>937,215</u>	<u>527,879</u>
Total deferred tax	<u>937,215</u>	<u>527,879</u>
Taxation on loss on ordinary activities	<u>2,528,841</u>	<u>2,476,738</u>

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	(29,852,381)	(10,119,737)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	(5,671,952)	(1,948,050)
Effects of:		
Fixed asset differences	(552,055)	192,067
Expenses not deductible for tax purposes	7,359,006	3,544,935
Additional deduction for land remediation expenditure	(2,734)	-
Utilisation of previously unrecognised tax losses	(479,091)	-
Adjustments to tax charge in respect of prior periods	(447,533)	(50,038)
Adjustments to tax charge in respect of prior periods (deferred tax)	302,910	51,433
Adjustment to deferred tax due to change in rates	(107,263)	(91,457)
Deferred tax not recognised	2,000,106	687,364
Difference due to overseas tax rates	127,447	90,484
Total tax charge for the year	2,528,841	2,476,738

Factors that may affect future tax charges

The main rate of UK corporation tax will decrease from 19% to 17% from 1 April 2020. Deferred tax balances arising in respect of UK subsidiaries has been recognised at 17% as at 31 December 2018 and 31 December 2017. For further information on deferred tax balances see note 21.

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

12. Intangible assets

Group and Company

	Goodwill £	Computer software £	Other intangibles £	Total £
Cost				
At 1 January 2018	1,188,120	-	-	1,188,120
Additions	-	797,864	105,185	903,049
Arising on business combinations (note 24)	2,701,973	-	-	2,701,973
Foreign exchange movement	-	-	232	232
At 31 December 2018	3,890,093	797,864	105,417	4,793,374
Amortisation				
At 1 January 2018	331,684	-	-	331,684
Charge for the year	140,059	90,758	12,372	243,189
Foreign exchange movement	-	-	4	4
At 31 December 2018	471,743	90,758	12,376	574,877
Net book value				
At 31 December 2018	3,418,350	707,106	93,041	4,218,497
At 31 December 2017	856,436	-	-	856,436

See note 24 for details of goodwill recognised in the year.

The computer software of £707,106 is held by the company.

Norlake Hospitality Limited

Notes to the financial statements
for the Year Ended 31 December 2018

13. Tangible fixed assets

Group Cost or valuation	Freehold and leasehold property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Assets under construction £	Total £
At 1 January 2018	400,871,455	2,085,708	12,973,565	1,045,326	119,693,817	536,669,871
Additions	21,409,729	86,306	447,793	131,822	135,284,474	157,360,124
Arising on business combinations (note 24)	8,714,821	151,108	359,125	6,652	-	9,231,706
Disposals	-	(20,000)	-	-	-	(20,000)
Transfers between classes	65,692,868	-	11,166,545	1,423,565	(78,282,978)	-
Exchange adjustments	11,960,452	1,758	587,292	64,056	5,601,837	18,215,395
At 31 December 2018	508,649,325	2,304,880	25,534,320	2,671,421	182,297,150	721,457,096
Depreciation						
At 1 January 2018	15,127,230	738,534	3,874,994	499,834	-	20,240,592
Charge for the year on owned assets	6,684,537	190,936	2,316,236	368,537	-	9,560,246
Disposals	-	(5,259)	-	-	-	(5,259)
Exchange adjustments	103,537	149	35,142	9,373	-	148,201
At 31 December 2018	21,915,304	924,360	6,226,372	877,744	-	29,943,780
Net book value						
At 31 December 2018	486,734,021	1,380,520	19,307,948	1,793,677	182,297,150	691,513,316
At 31 December 2017	385,744,225	1,347,174	9,098,571	545,492	119,693,817	516,429,279

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

14. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost and net book value	
At 1 January 2018	64,318,751
Additions	950
At 31 December 2018	<u>64,319,701</u>

Additions in the year relate to the company's new investment in EH Hotel 2018 Limited.

Direct subsidiary undertakings

The following were direct subsidiary undertakings of the company:

Name	Principal activity	Class of shares	Holding
Newco NHL UK (17) Limited	Holding and financing company	Ordinary	100%
The Hoxton (Williamsburg) Limited	Holding company	A Ordinary	95%
1060 South Broadway UK Limited	Holding company	A Ordinary	95%
200 North Green UK Limited	Holding company	A Ordinary	95%
The Hoxton (Southwark) Limited	Development of a hotel	A Ordinary	95%
Newco 8915 Limited	Development of a hotel	A Ordinary	95%
Newco UK 2017 Limited	Holding company	A Ordinary	95%
Newco UK 9000 Limited	Holding company	A Ordinary	95%
EH Hotel 2018 Limited	Operating a hotel	A Ordinary	95%

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

14. Fixed asset investments (continued)

Indirect subsidiary undertakings

The following were indirect subsidiary undertakings of the company:

Name	Principal activity	Class of shares	Holding
The Hoxton (Shoreditch) Limited	Operating a hotel	A Ordinary	95%
WS Hotels Properties (Shoreditch) Limited	Dormant company	Ordinary	95%
The Hoxton (Holborn) Limited	Operating a hotel	A Ordinary	95%
The Hoxton (Amsterdam) UK Limited	Holding Company	A Ordinary	95%
The Hoxton (Amsterdam) B.V.	Operating a hotel	Ordinary	95%
The Hoxton (Williamsburg) LLC	Development of a hotel	Member units	95%
32 Sentier UK Limited	Holding company	A Ordinary	95%
32 Sentier s.a.r.l.	Operating a hotel	Ordinary	95%
New 1060 South Broadway LLC	Development of a hotel	Member units	95%
200 North Green LLC	Holding company	Member units	95%
200 Green Developer LLC	Development of a hotel	A Member units	81%
Newco 2017 LLC	Development of a hotel	Member units	95%
Newco 9000 LLC	Holding company	Member units	95%
The Hoxton (Portland) LLC	Development of a hotel	Member units	95%
Newark (US) LLC	Holding company	Member units	95%

The Hoxton (Shoreditch) Limited, WS Hotels Properties (Shoreditch) Limited, The Hoxton (Holborn) Limited, The Hoxton (Amsterdam) UK Limited, The Hoxton (Williamsburg) Limited, 32 Sentier UK Limited, 1060 South Broadway UK Limited, 200 North Green UK Limited, The Hoxton (Southwark) Limited, Newco 8915 Limited, Newco NHL UK (17) Limited, Newco UK 2017 Limited, Newco UK 9000 Limited and EH Hotel 2018 Limited are all incorporated in England and Wales and their registered office address is 4th Floor 159 St. John Street, London, United Kingdom, EC1V 4QJ.

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

The Hoxton (Williamsburg) LLC, New 1060 South Broadway LLC, 200 North Green LLC, Newco 2017 LLC, Newco 9000 LLC and Newark (US) LLC are all incorporated in the United States and have their registered offices at Corporation Trust Center, 1209 Orange Street, Wilmington.

The Hoxton (Portland) LLC is incorporated in the United States and its registered office is CT Corporation System, 780 Commercial Street, STE 100, Salem, OR 97301, USA.

200 Green Developer LLC is incorporated in the United States and its registered office is National Registered Agents, Inc, 160 Greentree Drive, Suite 101, Dover, Delaware 19904, County of Kent, USA.

32 Sentier s.a.r.l. is incorporated in France and its registered office is c/o Macofi, 267 Boulevard Pereire, 75017 Paris.

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

14. Fixed asset investments (continued)

Indirect subsidiary undertakings (continued)

At 31 December 2018, Norlake Hospitality Limited held 100% of the A Ordinary Shares of its directly held subsidiaries representing 95% of the ordinary share capital. The remaining 5% of the ordinary share capital of the directly held subsidiaries is represented by B Ordinary Shares and has been issued to a related party. The B shares hold voting rights equivalent to 5% of the voting capital, but do not carry dividend rights. The economic rights of the B shares as at 31 December 2018 are limited to the value of the amounts payable to related parties disclosed within creditors.

At 31 December 2018, 200 North Green LLC (in which the group has a 95% holding) held 100% of the A member units of 200 Green Developer LLC, representing 84.8% of the total member units. The remaining 15.2% of the member units is represented by B member units and has been issued to a related party. The B member units do not carry any rights to dividends, but do carry a right to a share of the increase in value of 200 Green Developer LLC when sold back to the group.

15. Long term deposits

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

16. Stocks

	Group 2018 £	Group 2017 £
Raw materials and consumables	<u>1,422,937</u>	<u>415,613</u>

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

Stock recognised in cost of sales during the year as an expense was £6,195,834 (2017 - £2,312,547).

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

17. Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company As restated 2017 £
Due after more than one year				
Amounts owed by group undertakings	-	-	125,113,299	78,749,477
Due within one year				
Trade debtors	701,659	1,355,203	-	53,176
Amounts owed by group undertakings	-	-	457,208,520	371,866,927
Other amounts owed by group undertakings	-	-	47,940	-
Amounts owed by related parties	8,500,000	63,325	8,500,000	-
Other debtors	23,035,832	12,206,935	6,283,600	115,727
Prepayments and accrued income	1,692,489	497,171	62,693	-
Corporation tax recoverable	392,413	-	53,782	228,898
VAT recoverable	2,558,043	-	195,012	-
	36,880,436	14,122,634	597,464,846	451,014,205

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

The comparative figure for the amounts owed by group undertakings has been restated to properly reflect the terms of the loan.

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

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

Amounts owed by related parties at 31 December 2018 are interest bearing at a fixed interest rate of 4%, are unsecured and fall due within one year.

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

18. Creditors: Amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade creditors	9,867,420	4,397,064	155,919	76,743
Other amounts owed to group undertakings	-	-	3,829,568	-
Corporation tax	-	277,011	-	-
Other taxation and social security	1,934,699	446,782	505	-
Other creditors	7,004,339	3,073,873	2,550	222,033
Accruals and deferred income	13,398,842	10,920,749	165,100	218,258
Amounts payable to related parties	2,165,399	232,000	2,165,399	232,000
Other amounts payable to related parties	2,222,697	1,407,651	-	-
	<u>36,593,396</u>	<u>20,755,130</u>	<u>6,319,041</u>	<u>749,034</u>

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

Amounts payable to related parties include the fair value of the put option liability as described in notes 14 and 23.

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

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

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank loans (net of arrangement fees)	179,872,229	113,567,529	-	-
Other loans	4,318,599	4,458,558	-	-
Amounts owed to parent company	291,515,873	215,548,917	291,515,873	215,548,917
Amounts payable to related parties	1,605,808	2,664,028	1,605,808	2,664,028
	<u>477,312,509</u>	<u>336,239,032</u>	<u>293,121,681</u>	<u>218,212,945</u>

The bank loans accrue interest at a rate of LIBOR/EURIBOR plus 1.75%. Interest is payable quarterly in arrears and the bank loans are repayable in full in September 2020.

In September 2017, Newco NHL UK (17) Limited, a subsidiary of the group, entered into a new loan facility, which was secured by fixed and floating charges over the property, assets and undertakings of its operating subsidiaries, The Hoxton (Shoreditch) Limited, The Hoxton (Holborn) Limited and The Hoxton (Amsterdam) B.V.

In August 2018, the loan facility was increased and further secured by fixed and floating charges over the property, assets and undertakings of another group company, 32 Sentier s.a.r.l

Amounts owed to related parties include the fair value of the put option liability as described within notes 14 and 23.

Bank loans are shown net of unamortised fees totalling £1,321,283 at 31 December 2018 (2017 - £1,136,487).

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

20. Financial instruments

	Group 2018 £	Group 2017 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>64,547,782</u>	<u>51,507,059</u>
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss	(3,771,207)	(2,896,028)
Financial liabilities measured at amortised cost	<u>(500,361,905)</u>	<u>(345,910,722)</u>
	<u><u>(504,133,112)</u></u>	<u><u>(348,806,750)</u></u>

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

Derivative financial instruments measured at fair value through profit or loss comprise the fair value of the put option liability as described in notes 14 and 23.

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

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

21. Deferred taxation

Group

	2018 £	2017 £
At beginning of year	(19,497,846)	(15,279,052)
Charged to the income statement	(937,215)	(527,879)
Exchange adjustments	(73,491)	(194,456)
Arising on business combinations	(1,507,930)	(3,496,459)
At end of year	(22,016,482)	(19,497,846)

The provision for deferred taxation is made up as follows:

	Group 2018 £	Group 2017 £
Accelerated capital allowances	(4,583,297)	(3,200,317)
Short term timing differences	17,864	2,501
Deferred tax arising on business combinations	(17,451,049)	(16,300,030)
	(22,016,482)	(19,497,846)

22. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
1 (2017 - 1) Ordinary share of £1.00	1	1

Share capital represents the nominal value of the shares issued.

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

23. Reserves

Other reserve

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

Non-controlling interests

Non-controlling interests represents the nominal value of the B member units, representing 15.2% of 200 Green Developer LLC's share capital, issued by 200 Green Developer LLC to related parties. These B member units have a proportional share of voting rights. The member units do not carry any rights to dividends, but do carry a right to a share of the increase in value of 200 Green Developer LLC when sold back to the group.

Foreign exchange reserve

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

Capital contribution reserve

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

Merger Reserve

Merger reserve arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.

(Accumulated losses)/retained earnings

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

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

24. Business combinations

On 30 April 2018, the group acquired the business, assets and leasehold property known as Eynsham Hall, Oxfordshire.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £	Fair value adjustment £	Fair value £
Tangible fixed assets (note 13)	1,895,442	7,204,558	9,100,000
	<u>1,895,442</u>	<u>7,204,558</u>	<u>9,100,000</u>
Stock	22,522	-	22,522
Debtors	26,106	-	26,106
Cash at bank and in hand	3,000	-	3,000
Total assets	<u>1,947,070</u>	<u>7,204,558</u>	<u>9,151,628</u>
Trade and other creditors	(456,501)	-	(456,501)
Deferred tax	-	(1,507,931)	(1,507,931)
Total identifiable net assets	<u>1,490,569</u>	<u>5,696,627</u>	<u>7,187,196</u>
Goodwill on acquisition (note 12)			2,144,812
Total purchase consideration			<u>9,332,008</u>
Consideration (including acquisition costs of £611,881)			
			£
Cash			9,332,008
Total purchase consideration			<u>9,332,008</u>

Since the date of acquisition, Eynsham Hall's revenue was £3,683,760 and operating profit was £62,294.

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

24. Business combinations (continued)

On 1 March 2018, The Hoxton (Holborn) Limited acquired the trade and assets of the Hubbard and Bell food and beverage operations carried out at the group's hotel in Holborn, London.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £	Fair value £
Tangible fixed assets (note 13)	131,706	131,706
	<u>131,706</u>	<u>131,706</u>
Stock	55,394	55,394
	<u>55,394</u>	<u>55,394</u>
Total assets	187,100	187,100
	<u>187,100</u>	<u>187,100</u>
Total identifiable net liabilities	187,100	187,100
	<u>187,100</u>	<u>187,100</u>
Goodwill on acquisition (note 12)		557,161
		<u>557,161</u>
Total purchase consideration		744,261
		<u>744,261</u>
Consideration (including expenses of £44,261)		
		2018
		£
Cash		744,261
		<u>744,261</u>
Total purchase consideration		744,261
		<u>744,261</u>

Since the date of acquisition, Hubbard and Bell's revenue was £3,579,742 and operating profit was £533,946.

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

25. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £43,687,799 (2017 - £128,992,245).

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

26. Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension scheme charge for the year represents contributions payable by the group to the fund and amounted to £424,508 (2017 - £153,031). Contributions amounting to £222,878 (2017 - £157,079) were payable to the fund at year end and are included in other creditors.

27. Commitments under operating leases

At 31 December 2018 the group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Not later than 1 year	1,008,212	554,512	44,390	-
Later than 1 year and not later than 5 years	3,959,641	2,218,048	155,365	-
Later than 5 years	88,057,219	46,024,496	-	-
	<u>93,025,072</u>	<u>48,797,056</u>	<u>199,755</u>	<u>-</u>

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

28. Related party transactions

Group and company

At 31 December 2018, the company was due £582,321,818 from its subsidiaries (2017 - £450,616,404) in respect of interest bearing loans. These loans are included in amounts owed by group undertakings due after and within one year. Interest of £18,548,072 was charged by the company to its subsidiaries during the year in respect of these loans (2017 - £8,692,403). In 2017, the company was charged interest of £1,373,154 during the year in respect of amounts payable to its subsidiaries, which were fully repaid before 31 December 2017.

The company further charged its subsidiaries £234,700 during the year in respect of management fees (2017 - £725,832). At 31 December 2018, the company was owed £47,940 from its subsidiaries in respect of these fees (2017 - £Nil).

In 2017, the company received dividends of £4,744,740 from its subsidiaries.

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

During the year, Ennismore charged the group £10,558,688 (2017 - £10,893,474) in respect of management and other services and £6,026,852 (2017 - £4,400,120) in respect of expense recharges. At 31 December 2018, the group owed £2,222,697 (2017 - £1,407,651) to Ennismore in respect of these transactions.

In addition, in 2018, the company has loaned Ennismore £8,500,000 which was outstanding at 31 December 2018 and is included in amounts owed by related parties. The company charged interest of £124,219 which was settled in full at 31 December 2018.

In addition, at 31 December 2017, Ennismore owed the group £63,325 relating to group tax relief arising when The Hoxton (Southwark) Limited was a subsidiary of Ennismore. This balance was fully repaid at 31 December 2018.

A number of the group's subsidiaries have issued B shares to a director of Norlake Hospitality Limited in previous years as outlined within notes 3, 14 and 23. In 2018, the group's subsidiary, EH Hotel 2018 Limited, issued new B shares to the director. As at 31 December 2018, the liability recognised in respect of all of these B shares was £3,771,207 (2017 - £2,896,028) which is included in amounts payable to related parties.

In 2017, B member units in 200 Green Developer LLC were acquired by two of the ultimate beneficial owners of the group's ultimate parent company, Bharti Overseas Private Limited, for a total consideration of £769,100 (\$1,000,000). This shareholding is presented as a non-controlling interest, see note 23 for more details.

Key management personnel include all directors and a number of senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provided to the group was £1,220,952 (2017 - £702,108).

Norlake Hospitality Limited

Notes to the financial statements for the Year Ended 31 December 2018

29. Events after the reporting date

On 18 March 2019, the company's parent company, Tulip Growth PCC Limited merged with Norlake Investments Limited and Bharti Global Limited. Bharti Global Limited continues as the survivor merged company and is the immediate parent company of Norlake Hospitality Limited.

On 18 March 2019, the company's loan from its parent company was novated to another parent group company, Indian Continent Investment Limited. On 18 April 2019, the company issued £100m and \$255m of redeemable preference shares to Indian Continent Investment Limited, with proceeds from this share issue used to repay part of the loan outstanding.

On 18 April 2019, The Hoxton (Williamsburg) Limited, a subsidiary of the group, transferred its investment in Newark (US) LLC to the company at market value.

On 18 April 2019, the company acquired a subsidiary, Norwich Holdings Limited from its parent, Bharti Global Limited at book value.

30. Controlling party

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

At 31 December 2018, the company was a subsidiary undertaking of Tulip Growth PCC Limited, a company incorporated in Guernsey. On 18 March 2019, Tulip Growth PCC Limited merged with Norlake Investments Limited and Bharti Global Limited. Bharti Global Limited continues as the survivor merged company and is the immediate parent company of Norlake Hospitality Limited.

The largest and smallest group in which the results of the company are consolidated is that headed by Bharti Overseas Private Limited, a company incorporated in India. Copies of the Bharti Overseas Private Limited consolidated accounts are available to the public from Ministry of Corporate affairs, India.