

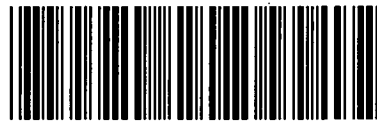
Registration number: 10403601

# Northern Powerhouse Developments (Holdings) Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 March 2018

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# Northern Powerhouse Developments (Holdings) Limited

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# Northern Powerhouse Developments (Holdings) Limited

## Company Information

<b>Director</b>	Mr Gavin Woodhouse
<b>Registered office</b>	Unit D2 Elland Riorges Link Lowfields Business Park Elland HX5 9DG
<b>Solicitors</b>	Metis Law LLP 84 Albion Street Leeds LS1 6AG
<b>Bankers</b>	Natwest Bank 1 Waterhouse Street Halifax HX1 1JA
<b>Accountants</b>	Williamson & Croft Audit Limited Chartered Certified Accountants 81 King Street Manchester M2 4AH

## **Northern Powerhouse Developments (Holdings) Limited**

### **Strategic Report for the Year Ended 31 March 2018**

The director presents the strategic report and financial statements for the year ended 31 March 2018.

#### **Principal activity**

The principal activity of the Group in the period under review was that of property development and operation in the hotel and leisure industry.

#### **Fair review of the business**

The director is pleased to present the first consolidated financial statements for the NPD (Holdings) Limited Group. The balance sheet shows a net assets position of £11.2m.

This has been a period of significant growth for the Group with the number of operational hotels increasing from 3 at the end of March 2017 to 9 by March 2018. This has taken the total number of hotel properties owned up to 11, with the Royal Hotel at Woolacombe acquired in October 2017 and the Caer Rhun Hall Hotel which was acquired last year and is due for re-opening in July 2018.

The Hotels acquired in the period were:

Fishguard Bay Hotel – June 2017  
Royal Woolacombe Hotel – October 2017  
Gilsland Hall Spa Hotel – December 2017  
Esplanade Hotel – December 2017  
The Old Golf House Hotel – January 2018  
The Imperial Crown Hotel – January 2018

The period marked the acquisition of the first hotels into the business collection, which has been strategically done to complement the seasonal coastal hotels.

During the period, the Group has delivered a profit before taxation of £7m, with the key driver being the increased value of properties in the Group's portfolio following implementation into the Group.

The operating model of the business is to take on hotels that require significant improvement and are often loss making upon acquisition. Many of the hotels are still in the early years of their development and maturity and hence are still working towards optimum performance. The Group manages the strain on cash flow in the early years, whilst the hotel is developing, by deducting lessee annual rentals from the initial purchase price paid for rooms in the hotel, so that the hotels are not required to cover the full cost of rent.

During the period, Richard Lewis was appointed as CEO of Hotels in order to drive hotel performance and to ensure that all hotels can support their rental obligations as they become due.

During the period, the Group has launched the exciting Afan Valley Adventure Park project which will be based in the Afan Valley region of Wales. Significant work has already been undertaken to get planning permission for the site, which is expected to be granted in late 2018. A number of strategic partners have been signed up during the period including Bear Grylls and Landrover who will play an active part in the project.

## Northern Powerhouse Developments (Holdings) Limited

### Strategic Report for the Year Ended 31 March 2018

#### Future developments

Since the year end the Group has completed the acquisition of Bourton Hall in Rugby and has legally exchanged to purchase Monk Fryston Hall Hotel, Moorland Gardens Hotel, Pennine Manor Hotel and Llansantffraid Hotel. All four of these hotels are expected to complete during the coming year.

Caer Rhun Hall Hotel in North Wales is due to re-open in July 2018 following a full renovation to turn it into a luxury country hotel.

Afan Valley Adventure Park is expected to receive planning permission in late 2018.

The focus of the operational team will be to continue to drive improvements to the operating hotels to improve profitability as they continue their cycle towards maturity.

#### Principal risks and uncertainties

While it is not possible to identify or anticipate every risk due to the changing business environment, the group has an established risk management process to manage and mitigate those key risks which it believes could have an impact on its sustainability.

The key risks facing the group are set out below:

**Liquidity** – The business having sufficient liquidity to pay for resources required to operate.

The director is confident that the current control and review of cash flows within the business are adequate to ensure the business is able to meet working capital requirements.

**Competitive** – The hotel and leisure industry continues to be a competitive sector across the UK.

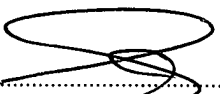
Careful attention is taken to do thorough due diligence when acquiring new hotels to ensure that they are likely to be well positioned to compete in their local marketplace. Individual hotel performance is reviewed every month and action is taken where necessary to address reduced performance.

**Legislative** – Legislative changes could negatively affect the operations of the hotels under management and the Group's financing model of sourcing funding from overseas lessees.

Following the decision of the UK people to leave the European Union, it remains to be seen what impact this will have on the business long term. The weakening of the pound has so far helped to bring further investment into the UK property market which has helped the Group. In addition, the level of overseas tourists has also benefitted.

The director monitors new legislation or changes to legislation that affects the business closely and ensures the business puts plans in place to ensure compliance.

Approved by the director on 27 November 2018 and signed on its behalf by:

  
.....  
Mr Gavin Woodhouse  
Director

## Northern Powerhouse Developments (Holdings) Limited

### Director's Report for the Year Ended 31 March 2018

The director presents his report and the for the year ended 31 March 2018.

#### **Director of the group**

The director who held office during the year was as follows:

Mr Gavin Woodhouse

#### **Results and dividends**

The results for the period are set out on pages 6 to 12.

No ordinary dividends were paid during the period. The Director does not recommend the payment of a final dividend.

#### **Political donations**

There were no donations during the period.

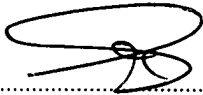
#### **Employee involvement**

The company's policy is to consult employees on any matters likely to affect employee interests. Information of relevance is cascaded to all teams, through the management structure, as required.

#### **Director's liabilities**

The Group has valid professional indemnity and Directors indemnity insurance in place.

Approved by the director on 27 November 2018 and signed on its behalf by:



.....  
Mr Gavin Woodhouse  
Director

## **Northern Powerhouse Developments (Holdings) Limited**

### **Statement of Director's Responsibilities**

The director acknowledges his responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

**Chartered Certified Accountants' Independent Assurance Report to the Director on the  
Preparation of the Unaudited Statutory Accounts of  
Northern Powerhouse Developments (Holdings) Limited  
for the Year Ended 31 March 2018**

We have performed certain procedures in respect of the Company's unaudited financial statements for the year ended 31 March 2018 as set out on pages 7 to 29, made enquiries of the Company's director and assessed accounting policies adopted by the director, in order to gather sufficient evidence for our conclusion in this report. This report is made solely to the Company's director, as a body, in accordance with the terms of our engagement letter dated 21 August 2018. It has been released to the director on the basis that this report shall not be copied, referred to or disclosed, in whole (save for the directors' own internal purposes or as may be required by law or by a competent regulator) or in part, without our prior written consent. Our work has been undertaken so that we might state to the director those matters that we have agreed to state to them in this 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 director as a body for our work, for this report or the conclusions we have formed.

As a practising member firm of the Association of Chartered Certified Accountants, we are subject to its ethical and other professional requirements which are detailed at <http://www.accaglobal.com/gb/en/discover/public-value/rulebook.html>.

You have confirmed that you have met your duty as set out in the directors' statement on page 5. You consider that Northern Powerhouse Developments (Holdings) Limited is exempt from the statutory requirement for an audit for the year. Our responsibility is to form and express an independent conclusion, based on the work carried out, to you on the financial statements.

**Scope**

The scope of our work was limited assurance over specific selected information contained within the consolidated financial statements for the year ended 31 March 2018 ("the Selected Information"). Our work was based primarily upon enquiry, substantive testing and assessing accounting policies in accordance with Financial Reporting Standard 102 ("FRS 102"). The Selected Information was limited to:

Investment Property  
Investor Deferral Facility  
Investor Buyback Facility

We have not performed any work, and do not express any conclusion, over any other information that may be reported in the financial statements for the year ended 31 March 2018 or earlier unless otherwise stated by us. The terms of our engagement exclude any requirement to carry out a comprehensive assessment of the risks of material misstatement, a consideration of fraud, laws, regulations and internal controls, and we have not done so. We are not required to, and we do not, express an audit opinion on these financial statements.

**Conclusion**

Based on our work, nothing has come to our attention to refute the directors' confirmation that in accordance with the Companies Act 2006 the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its profit for the year then ended and have been properly prepared in accordance with FRS 102.



Williamson & Croft Audit Limited  
Chartered Certified Accountants  
81 King Street  
Manchester  
M2 4AH

27 November 2018



## Northern Powerhouse Developments (Holdings) Limited

### Consolidated Profit and Loss Account for the Year Ended 31 March 2018

	Note	2018 £
Turnover	3	6,417,449
Cost of sales		<u>(5,211,680)</u>
Gross profit		1,205,769
Administrative expenses		<u>(15,398,788)</u>
Operating loss	4	<u>(14,193,019)</u>
Other interest receivable and similar income	5	582,376
Interest payable and similar expenses	6	(1,132,931)
Gain/(loss) on revaluation of investment property		<u>21,725,862</u>
		<u>21,175,307</u>
Profit before tax		6,982,288
Taxation	9	<u>(2,898,588)</u>
Profit for the financial year		<u>4,083,700</u>
<b>Profit/(loss) attributable to:</b>		
Owners of the company		4,024,150
Minority interests		<u>59,550</u>
		<u>4,083,700</u>

The above results were derived from continuing operations.

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

## Northern Powerhouse Developments (Holdings) Limited

### Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2018

	2018 £
Profit for the year	<u>4,083,700</u>
Surplus/(deficit) on property, plant and equipment revaluation	8,727,680
Deferred tax on property, plant and equipment revaluations	<u>(1,565,919)</u>
	<u>7,161,761</u>
Total comprehensive income for the year	<u><u>11,245,461</u></u>
<b>Total comprehensive income attributable to:</b>	
Owners of the company	11,185,911
Minority interests	<u>59,550</u>
	<u><u>11,245,461</u></u>

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

**Northern Powerhouse Developments (Holdings) Limited**

**(Registration number: 10403601)**

**Consolidated Balance Sheet as at 31 March 2018**

	Note	2018 £
<b>Fixed assets</b>		
Intangible assets	10	12,704,572
Tangible assets	11	14,390,665
Investment property	12	<u>39,115,704</u>
		<u>66,210,941</u>
<b>Current assets</b>		
Stocks	14	107,654
Debtors	15	6,880,109
Cash at bank and in hand		<u>402,890</u>
		7,390,653
<b>Creditors: Amounts falling due within one year</b>	17	<u>(19,055,076)</u>
<b>Net current liabilities</b>		(11,664,423)
<b>Debtors: Amounts falling due after more than one year</b>		<u>1,728,609</u>
<b>Total assets less current liabilities</b>		56,275,127
<b>Creditors: Amounts falling due after more than one year</b>	17	(40,564,056)
<b>Provisions for liabilities</b>		<u>(4,464,507)</u>
<b>Net assets</b>		<u><u>11,246,564</u></u>
<b>Capital and reserves</b>		
Called up share capital	19	1,103
Revaluation reserve	20	7,161,761
Profit and loss account	20	<u>4,024,150</u>
Equity attributable to owners of the company		11,187,014
Minority interests		<u>59,550</u>
<b>Total equity</b>		<u><u>11,246,564</u></u>

For the financial year ending 31 March 2018 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Director's responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The director acknowledges his responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

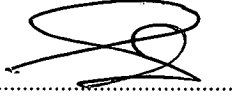
The notes on pages 15 to 28 form an integral part of these financial statements.

**Northern Powerhouse Developments (Holdings) Limited**

**(Registration number: 10403601)**

**Consolidated Balance Sheet as at 31 March 2018**

Approved and authorised by the director on 27 November 2018

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned above a dotted line.

Mr Gavin Woodhouse  
Director

**Northern Powerhouse Developments (Holdings) Limited**

**(Registration number: 10403601)  
Balance Sheet as at 31 March 2018**

	Note	2018 £
<b>Fixed assets</b>		
Investments	13	1,198
<b>Current assets</b>		
Debtors	15	1,103
<b>Creditors: Amounts falling due within one year</b>	17	<u>(1,198)</u>
<b>Net current liabilities</b>		<u>(95)</u>
<b>Net assets</b>		<u>1,103</u>
<b>Capital and reserves</b>		
Called up share capital	19	<u>1,103</u>
<b>Total equity</b>		<u>1,103</u>

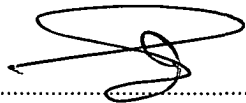
For the financial year ending 31 March 2018 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Director's responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The director acknowledges his responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

Approved and authorised by the director on 27 November 2018



.....  
Mr Gavin Woodhouse  
Director

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

**Northern Powerhouse Developments (Holdings) Limited**

**Consolidated Statement of Changes in Equity for the Year Ended 31 March 2018**  
**Equity attributable to the parent company**

	Share capital £	Revaluation reserve £	Profit and loss account £	Total £	Non- controlling interests £	Total equity £
At 1 April 2017	1	-	-	1	-	1
Profit for the year	-	-	4,024,150	4,024,150	59,550	4,083,700
Other comprehensive income	-	7,161,761	-	7,161,761	-	7,161,761
Total comprehensive income for the period	-	7,161,761	4,024,150	11,185,911	59,550	11,245,461
New share capital subscribed	1,102	-	-	1,102	-	1,102
At 31 March 2018	<u>1,103</u>	<u>7,161,761</u>	<u>4,024,150</u>	<u>11,187,014</u>	<u>59,550</u>	<u>11,246,564</u>

The notes on pages 15 to 28 form an integral part of these financial statements.  
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**Northern Powerhouse Developments (Holdings) Limited**

**Statement of Changes in Equity for the Year Ended 31 March 2018**

	Share capital £	Total £
At 1 April 2017	1	1
New share capital subscribed	<u>1,102</u>	<u>1,102</u>
At 31 March 2018	<u><u>1,103</u></u>	<u><u>1,103</u></u>

## Northern Powerhouse Developments (Holdings) Limited

### Consolidated Statement of Cash Flows for the Year Ended 31 March 2018

	Note	2018 £
<b>Cash flows from operating activities</b>		
Profit for the year		4,083,700
Adjustments to cash flows from non-cash items		
Depreciation and amortisation	4	1,511,112
Changes in fair value of investment property	12	(21,725,863)
Finance income	5	(582,376)
Finance costs	6	1,133,197
Income tax expense	9	<u>2,898,588</u>
		(12,681,642)
Working capital adjustments		
Increase in stocks	14	(107,654)
Increase in debtors	15	(4,964,701)
Increase in creditors	17	<u>6,628,751</u>
Net cash flow from operating activities		<u>(11,125,246)</u>
<b>Cash flows from investing activities</b>		
Interest received		744
Acquisitions of tangible assets		(6,028,551)
Acquisition of intangible assets	10	(49,460)
Acquisition of investment properties	12	(17,389,841)
Acquisition of subsidiaries		<u>(13,800,658)</u>
Net cash flows from investing activities		<u>(37,267,766)</u>
<b>Cash flows from financing activities</b>		
Finance income		581,632
Finance costs	6	(1,133,197)
Proceeds from issue of ordinary shares, net of issue costs		1,102
Proceeds from financing arrangements		<u>49,346,365</u>
Net cash flows from financing activities		<u>48,795,902</u>
Net increase in cash and cash equivalents		402,890
Cash and cash equivalents at 1 April		<u>-</u>
Cash and cash equivalents at 31 March		<u><u>402,890</u></u>

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



# Northern Powerhouse Developments (Holdings) Limited

## Notes to the Financial Statements for the Year Ended 31 March 2018

### 1 General information

The company is a private company limited by share capital, incorporated in England & Wales.

The address of its registered office is:

Unit D2  
Elland Riorges Link  
Lowfields Business Park  
Elland  
HX5 9DG  
England

These financial statements were authorised for issue by the director on 27 November 2018.

### 2 Accounting policies

#### Statement of compliance

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"), and with the Companies Act 2006.

#### Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The financial statements are presented in Sterling (£).

The Company meets the definition of a qualifying entity under FRS102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the critical accounting judgements section below.

#### Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Summary of disclosure exemptions

The accounts do not include a cash flow statement because the Company, as a small reporting entity, is exempt from the requirements to prepare such a statement.

#### Going concern

After reviewing the Group's forecasts and projections, the director has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## Northern Powerhouse Developments (Holdings) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2018

#### **Basis of consolidation**

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2018.

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Any subsidiary undertakings sold or acquired during the year are included up to, or from, the dates of change of control respectively.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill. Goodwill is written off over 10 years from the year of acquisition.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, are eliminated in full.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

#### **Revenue recognition**

Turnover represents revenues arising from owned hotel operations, including the rental of rooms and food and beverage sales net of VAT and trade discounts. Turnover is recognised when rooms are occupied and food and beverages are sold.

The group recognises revenue when:

The amount of revenue can be reliably measured;  
it is probable that future economic benefits will flow to the entity;  
and specific criteria have been met for each of the group's activities.

#### **Finance income and costs policy**

Finance income and costs are recognised in the statement of comprehensive income using the effective interest method.

#### **Foreign currency transactions and balances**

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of the exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

## Northern Powerhouse Developments (Holdings) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2018

#### Tax

The tax expense for the period comprises deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the consolidated financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference, except for revalued land and investment property where the tax rate that applies to the sale of the asset is used.

#### Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

#### Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Fixtures and fittings	10 years straight line
Computer software and hardware	5 years straight line
Office equipment	10 years straight line
Plant and machinery	10 years straight line

#### Investment property

Investment properties comprise properties and interests in land held either to earn rental income or for capital appreciation, or both.

Investment property is carried at fair value assessed annually by management. If managements findings indicate a change in the fair value, qualified external valuers are used to determine the fair value. The valuers use observable market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognised in profit or loss.

#### Goodwill

Goodwill arising on the acquisition of subsidiary undertakings, representing the excess of the fair value of consideration given over the fair value of the identifiable net assets and liabilities acquired, has been capitalised in the group balance sheet and is amortised on a straight line basis over its estimated economic life of 10 years. Goodwill is assessed for impairment annually and any impairment is charged to the income statement.

#### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Computer software	Length of licence
Goodwill	10 years straight line

## Northern Powerhouse Developments (Holdings) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2018

#### Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

#### Debtors

Trade debtors are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

#### Inventories

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Stocks are assessed for impairment annually and any impairment loss is recognised in profit or loss.

#### Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

#### Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

#### Financial instruments

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

## Northern Powerhouse Developments (Holdings) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2018

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 any 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 Statement of income and retained earnings.

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 Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the new amount reported in the Balance sheet 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.

#### Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

The Company leases rooms to investors on a 125 year long leasehold basis. The Company has a call option in place allowing them to buy back the room at the original purchase price plus a 25% increase. This can be exercised at any point in the first 10 year period. The investor has a put option on the same terms but can only be actioned in year 10.

The sale price of the room is kept on the balance sheet as a liability as the directors expect to invoke the call option at year 10 to repurchase the rooms. The liability is discounted at a rate of 2.5% (the implicit cost of capital) as the liability is not likely to become due for 10 years. The 25% uplift to the original purchase price is accrued over the course of the 10 year option period.

#### Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

## Northern Powerhouse Developments (Holdings) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2018

#### Defined contribution pension obligation

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 profit and loss 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.

#### Critical accounting estimates and areas of judgement

In the application of the company's accounting policies, the director is required to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although based on management's best judgements, actual results may differ from the estimates made.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Key sources of estimation uncertainty

##### *Valuation of properties*

Consideration has been given by the director as to the fair value of properties held by the Group. In determining the fair value they used representations from suitably qualified third parties who have considered the open market value of the property based upon their knowledge of the local market.

##### *Hotel room leases*

It is the belief of the management of the Group that the risks and rewards of ownership do not pass to lessees of the hotel rooms, as the Group maintains control over the rooms operation, maintenance and insurance. In addition, the lessee receives fixed annual rental income and there is a fixed price for the Group to buyback the room in the future. As such the transaction is treated as an operating lease for the Group as lessor.

### 3 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows:

	<b>2018</b>
	<b>£</b>
Hotel income	6,413,624
Rental income	3,825
	<u>6,417,449</u>

All turnover arose within the United Kingdom.

### 4 Operating loss

Arrived at after charging

	<b>2018</b>
	<b>£</b>
Depreciation expense	365,566
Amortisation expense	1,145,546
Operating lease expense - plant and machinery	<u>23,322</u>

## Northern Powerhouse Developments (Holdings) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2018

#### 5 Other interest receivable and similar income

	2018 £
Interest income on bank deposits	744
Other finance income	581,632
	<u>582,376</u>

#### 6 Interest payable and similar expenses

	2018 £
Interest on bank overdrafts and borrowings	18
Interest expense on other finance liabilities	1,133,179
Foreign exchange (gains) / losses	(266)
	<u>1,132,931</u>

#### 7 Staff costs

The aggregate payroll costs (including director's remuneration) were as follows:

	2018 £
Wages and salaries	4,470,242
Pension costs, defined contribution scheme	33,908
Other employee expense	18,812
	<u>4,522,962</u>

The average number of persons employed by the group (including the director) during the year, analysed by category was as follows:

	2018 No.
Hotel operations	422
Hotel management	25
Head office	19
	<u>466</u>

#### 8 Director's remuneration

The director's remuneration for the year was as follows:

	2018 £
Remuneration	193,851
Contributions paid to money purchase schemes	98
	<u>193,949</u>

## Northern Powerhouse Developments (Holdings) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2018

#### 9 Taxation

Tax charged/(credited) in the income statement

**2018**  
£

#### Deferred taxation

Arising from origination and reversal of timing differences

2,898,588

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK of 19% .

The differences are reconciled below:

	<b>2018</b> £
Profit before tax	<u>6,982,288</u>
Corporation tax at standard rate	1,326,635
Effect of expense not deductible in determining taxable profit (tax loss)	1,697
Tax increase from effect of capital allowances and depreciation	123,629
Tax increase from other timing differences	<u>1,446,627</u>
Total tax charge	<u>2,898,588</u>

#### Deferred tax

##### Group

Deferred tax assets and liabilities

<b>2018</b>	<b>Asset</b> £	<b>Liability</b> £
Investment property revaluation	-	4,241,163
Property revaluation	-	1,565,919
Accelerated capital allowances	-	169,776
Tax losses	<u>1,512,351</u>	-
	<u>1,512,351</u>	<u>5,976,858</u>

There are £2,328,151 of unused tax losses for which no deferred tax asset is recognised in the Balance Sheet.

#### Tax relating to items recognised in other comprehensive income or equity - group

	<b>2018</b> £
Deferred tax related to items recognised as items of other comprehensive income	<u>1,565,919</u>

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 and Finance Bill 2016. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet have been measured using these enacted rates and reflected in these financial statements.



## Northern Powerhouse Developments (Holdings) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2018

#### 10 Intangible assets

##### Group

	Goodwill £	Other intangible assets £	Total £
<b>Cost or valuation</b>			
Additions acquired separately	-	49,460	49,460
Acquired through business combinations	<u>13,800,658</u>	<u>-</u>	<u>13,800,658</u>
At 31 March 2018	<u>13,800,658</u>	<u>49,460</u>	<u>13,850,118</u>
<b>Amortisation</b>			
Amortisation charge	<u>1,133,031</u>	<u>12,515</u>	<u>1,145,546</u>
At 31 March 2018	<u>1,133,031</u>	<u>12,515</u>	<u>1,145,546</u>
<b>Carrying amount</b>			
At 31 March 2018	<u><u>12,667,627</u></u>	<u><u>36,945</u></u>	<u><u>12,704,572</u></u>

#### 11 Tangible assets

##### Group

	Land and buildings £	Furniture, fittings and equipment £	Plant and machinery £	Total £
<b>Cost or valuation</b>				
Additions	2,198,276	2,257,231	1,573,044	6,028,551
Revaluations	<u>8,727,680</u>	<u>-</u>	<u>-</u>	<u>8,727,680</u>
At 31 March 2018	<u>10,925,956</u>	<u>2,257,231</u>	<u>1,573,044</u>	<u>14,756,231</u>
<b>Depreciation</b>				
Charge for the year	<u>7,130</u>	<u>271,917</u>	<u>86,519</u>	<u>365,566</u>
At 31 March 2018	<u>7,130</u>	<u>271,917</u>	<u>86,519</u>	<u>365,566</u>
<b>Carrying amount</b>				
At 31 March 2018	<u><u>10,918,826</u></u>	<u><u>1,985,314</u></u>	<u><u>1,486,525</u></u>	<u><u>14,390,665</u></u>

Included within the net book value of land and buildings above is £10,918,826 in respect of freehold land and buildings.

## Northern Powerhouse Developments (Holdings) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2018

#### 12 Investment properties

##### Group

	2018 £
Additions	17,389,841
Fair value adjustments	<u>21,725,863</u>
At 31 March	<u><u>39,115,704</u></u>

As at January 2018 all hotels have been independently valued by HVS Global Hospitality Services, completed by RICS certified surveyors.

#### 13 Investments

##### Company

	2018 £
Investments in subsidiaries	<u>1,198</u>
<b>Subsidiaries</b>	<b>£</b>
<b>Cost or valuation</b>	
Additions	<u>1,198</u>
<b>Provision</b>	
<b>Carrying amount</b>	
At 31 March 2018	<u><u>1,198</u></u>

#### Details of undertakings

Details of investments in which the company directly holds 20% or more of the nominal value of any class of share capital are as follows:

Company	County of incorporation	Shares Held	Principal activity
<b>Subsidiary undertakings</b>			
		Class    %	
Northern Powerhouse Developments Hotels Limited	United Kingdom	Ordinary 100	Holding company
Active Resorts UK Limited	United Kingdom	Ordinary 95	Holding company
Northern Powerhouse Developments Marketing Limited	United Kingdom	Ordinary 100	Marketing company

A full list of all investments in which the Group holds 20% or more of the nominal value of any class of share capital is included in the appendix on pages 28 to 29, which forms part of these financial statements.

**Northern Powerhouse Developments (Holdings) Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2018**

**14 Stocks**

	<b>Group 2018 £</b>	<b>Company 2018 £</b>
Other inventories	107,654	-

**15 Debtors**

	<b>Note</b>	<b>Group 2018 £</b>	<b>Company 2018 £</b>
<b>Due within one year</b>			
Trade debtors		213,161	-
Amounts owed by related parties	23	4,331,134	-
Other debtors		238,447	1,103
Investor deferment facility		1,915,408	-
Prepayments		181,959	-
		6,880,109	1,103
		<b>Group 2018 £</b>	<b>Company 2018 £</b>

**Due after one year**

Investor deferment facility	1,728,609	-
	1,728,609	-

**16 Cash and cash equivalents**

	<b>Group 2018 £</b>	<b>Company 2018 £</b>
Cash on hand	22,564	-
Cash at bank	380,326	-
	402,890	-

## Northern Powerhouse Developments (Holdings) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2018

#### 17 Creditors

	Note	Group 2018 £	Company 2018 £
<b>Due within one year</b>			
Loans and borrowings	21	4,942,052	-
Trade creditors		1,062,161	-
Amounts due to related parties	23	1,479,862	1,198
Social security and other taxes		145,229	-
Outstanding defined contribution pension costs		2,331	-
Other payables		931,463	-
Accruals		3,007,704	-
Investor buyback provision	21	<u>7,484,274</u>	<u>-</u>
		<u>19,055,076</u>	<u>1,198</u>
<b>Due after one year</b>			
Investor buyback provision	21	<u>40,564,056</u>	<u>-</u>

#### 18 Pension and other schemes

##### Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £33,908.

Contributions totalling £2,331 were payable to the scheme at the end of the year and are included in creditors.

#### 19 Share capital

##### Allotted, called up and fully paid shares

	2018	
	No.	£
Ordinary of £1 each	<u>1,103</u>	<u>1,103</u>

##### New shares allotted

During the year 1,102 Ordinary having an aggregate nominal value of £1,102 were allotted for an aggregate consideration of £1,102.

#### 20 Reserves

Included within profit and loss reserves is £18,827,274 which is non distributable, relating to the revaluation of investment property and associated deferred tax.

## Northern Powerhouse Developments (Holdings) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2018

#### 21 Loans and borrowings

	<b>Group 2018 £</b>	<b>Company 2018 £</b>
<b>Current loans and borrowings</b>		
Secured borrowings	4,942,052	-
Investor buyback provision	7,484,274	-
	12,426,326	-
	<b>Group 2018 £</b>	<b>Company 2018 £</b>
<b>Non-current loans and borrowings</b>		
Investor buyback provision	40,564,056	-

Included within secured borrowings are three commercial loans repayable by October 2018. The loans are secured by fixed charges on certain assets of the group. The interest on the loans is calculated at 12%, 15%, and 18% per annum.

The investor buyback provision relates to funds raised from the sale of hotel rooms via long lease. Management expect that the loans will be repaid over a 10 year term. The loans are secured by legal title over the assets to which they relate. Rooms are rented from investors at 10% of selling price per annum and a 25% premium of selling price is repayable at the end of the term.

#### 22 Obligations under leases and hire purchase contracts

##### Group

##### Operating leases

The total of future minimum lease payments is as follows:

	<b>2018 £</b>
Not later than one year	4,773,454
Later than one year and not later than five years	19,286,328
Later than five years	17,992,914
	42,052,696

## Northern Powerhouse Developments (Holdings) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2018

#### 23 Related party transactions

The Group has taken advantage of an exemption as provided in section 33 of FRS 102, not to disclose related party transactions with wholly owned subsidiaries within the group.

The following transactions have taken place between the Company and entities over which G Woodhouse has control.

	<b>2018</b>
	<b>£</b>
Amounts owed by related parties	4,331,124
Amounts owed to related parties	1,479,862

#### 24 Controlling party

The ultimate controlling party is G Woodhouse, by virtue of his controlling shareholdings in the group.