

Delta Oulton Hall Property Limited
Financial Statements
31 December 2021

Delta Oulton Hall Property Limited

Financial Statements

Year ended 31 December 2021

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Delta Oulton Hall Property Limited

Officers and Professional Advisers

Director Enmyn Limited

Registered office First Names House
Victoria Road
Douglas
Isle of Man
IM2 4DF

Auditor Haysmacintyre LLP
Chartered accountants & statutory auditor
10 Queen Street Place
London
United Kingdom
EC4R 1AG

Company registration number 015122V

Delta Oulton Hall Property Limited

Director's Report

Year ended 31 December 2021

The director presents his report and the financial statements of the company for the year ended 31 December 2021.

Principal activities

The principal activity of the company during the year was that of property investment. The company owns a hotel that is leased to a company who operated this, within the same Group.

Incorporation

The company was incorporated on 21 August 2017 under Isle of Man Companies Act 2006.

Director

The director who served the company during the year was as follows:

Enmyn Limited

Results & dividends

The profit for the financial year ended 31 December 2021 amounted to £1,567,408 (2020: loss of £6,341,483) which has been transferred to reserves. The directors do not recommend the payment of a dividend for this reporting period (2020: nil).

Qualifying indemnity provision

The Director benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that:

- so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Small company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

This report was approved by the board of directors on 23 September 2022 and signed on behalf of the board by:



Enmyn Limited
Director

Delta Oulton Hall Property Limited

Director's Responsibilities Statement

Year ended 31 December 2021

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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 them to ensure that the financial statements comply with the requirements of the Isle of Man Companies Acts 1931 to 1974, the Isle of Man Companies Act 1982 and the Isle of Man 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.

Delta Oulton Hall Property Limited

Independent Auditor's Report to the Members of Delta Oulton Hall Property Limited

Year ended 31 December 2021

Opinion

We have audited the financial statements of Delta Oulton Hall Property Limited (the "company") for the year ended 31 December 2021 which comprise of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of the profit 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 Isle of Man Companies Acts 1931 to 1974, the Isle of Man Companies Act 1983 and the Isle of Man 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 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 as applied to listed entities, 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.

An overview of the scope of our audit

Our audit scope included the audit of Delta Oulton Hall Property Limited. The scope of our audit work and our audit strategy was developed by using our audit planning process to obtain and updated our understanding of the company, its internal control environment, current and where relevant to our audit, likely future developments.

Our audit testing was informed by this understanding of the company and accordingly was designed to focus on areas where we assessed there to be the most significant risks of material misstatement. Audit work to respond to the assessed risks was performed directly by the audit engagement team who performed full scope audit procedures on the company.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Delta Oulton Hall Property Limited

Independent Auditor's Report to the Members of Delta Oulton Hall Property Limited *(continued)*

Year ended 31 December 2021

Key Audit Matter	How our scope addressed this matter
Going concern and associated disclosures The companies within the investment structure, where this entity sits, between them need to repay £15m of bank debt down by March 2023 which is within 12 months of financial statements sign off. There is a risk that the financial statements do not include sufficient or appropriate disclosures in respect of the going concern assessment of the company and potential material uncertainties.	We have obtained managements budgets and cashflow forecasts to December 2023. We performed a review of the going concern basis which included but was not limited to: - Ensuring the forecasts casts and were mathematically sound - The assumptions made in the forecasts are reasonable and appropriate - Agreeing recent bank statements to the forecasts to ensure an up-to-date position - Obtaining recent trading figures and comparing to budget - Discussions with management surrounding their debt facility and the financial covenants attached to this - Discussions with management surrounding the repayment of their debt facility and the range of options available to make such payment - Review of the going concern disclosure to ensure this is appropriate and reasonable The testing above appropriately addresses the risks highlighted at the planning stage and we are comfortable that the testing has highlighted no material issues.
Property valuation The property is a highly material balance and held at fair value. Any incorrect valuation could therefore result in a material error. This balance is also highly judgemental and involves estimates of future results. There is a risk that the properties are overstated given the bank loan covenants in place. The main way this could be done is by using inappropriate estimates and judgements in the valuations model used There is a risk assumptions, estimates and judgements are inadequately disclosed in the accounts.	Our work included but was not limited to: - Obtaining the external property valuation report for the leasehold element of the valuation - Assessing the competency of the valuer and the inputs into their valuation - Considering the information and forecasts provided to the valuer, and how reasonable these were, as well as consideration of the other assumptions used within the valuation model. - Obtaining management's valuation for the freehold property element - Agreeing the inputs to this management valuation and challenging the assumptions used where judgmental. - Considering the disclosures on the property valuation, notably the material uncertainty highlighted which is noted further in the emphasis of matter section of this report. The testing above appropriately addresses the risks highlighted at the planning stage and we are comfortable that the testing has highlighted no material issues.

Delta Oulton Hall Property Limited

Independent Auditor's Report to the Members of Delta Oulton Hall Property Limited *(continued)*

Year ended 31 December 2021

Key Audit Matter	How our scope addressed this matter
Recoverability of intergroup debt There is a risk that the debt owed to the company, from related entities is not recoverable given the impact of Covid-19 on the trade of the hotels and there valuation.	Our work included but was not limited to: - Agreement of the intercompany debt to the corresponding company's trial balance. - Consideration of the net asset position of the company that owes the debt. - Challenge of management as to the recoverability when the entity owing the amounts is in a net liability position. - Consideration of the intention and ability of the ultimate controlling party to provide support. The testing above appropriately addresses the risks highlighted at the planning stage and we are comfortable that the testing has highlighted no material issues.

Our application of materiality

The scope and focus of our audit were influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing and extend of our audit procedures and to evaluate the effect of misstatement, both individually and on the financial statements as a whole.

The materiality for the company was set at £749,000. This was determined as being 2% of the draft gross assets of the company. Gross assets was deemed to be the most appropriate benchmark for setting materiality as the company invests in property, and leases the property to another entity, with the aim of generating rental income and a return on investment on property sale, and therefore the key driver of the company is considered to be the gross assets of the company.

On the basis of our risk assessment, performance materiality was set at 75% of materiality, being £561,750. The reporting threshold was set at 5% of materiality, being £37,450. If in our opinion any differences below this level warranted reporting on qualitative grounds, these would also be reported.

Emphasis of matter

We draw your attention to note 7 of the financial statements which notes the property valuation was prepared by a third-party valuer and the directors.

The professional external valuation which included reference to a "material valuation uncertainty" as per VPS3 and VOGA 10 of the RICS Red Book Global as a result of Covid-19. The external valuers considered that they could attach less weight to previous market evidence for comparison purposes to inform opinion of value and that a higher degree of caution should be attached to their valuation. Management considered this when forming their valuation assessment, and, whilst considering the valuation to be appropriate, recognise the uncertainty derived from the lack of comparable evidence.

Delta Oulton Hall Property Limited

Independent Auditor's Report to the Members of Delta Oulton Hall Property Limited *(continued)*

Year ended 31 December 2021

Conclusions relating to going concern

In auditing the financial statements, we have concluded that management's use of the going concern basis of preparation of the financial statements is appropriate. Our evaluation of management's assessment of the Company's ability to continue to adopt the going concern basis of accounting included review of budgets and cashflow forecasts for the company and those in the same investment structure until December 2023. We have assessed the assumptions and data behind these forecasts and ensured these are reasonable and appropriate. We have also assessed the bank debt repayments due and the financial covenants in place on the debt, as well as the requirement for part of this to be repaid by March 2023. Please see note 3 for further details.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit: or
- the director was not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the director's report and from the requirement to prepare a strategic report.

Delta Oulton Hall Property Limited

Independent Auditor's Report to the Members of Delta Oulton Hall Property Limited *(continued)*

Year ended 31 December 2021

Responsibilities of director

As explained more fully in the director's 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 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 director either intend to liquidate the 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud.

Based on our understanding of the company, we considered the laws and regulations that have a direct impact on the preparation of the financial statements such as the Isle of Man Companies Act.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Inspecting correspondence with regulators and tax authorities;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions; and
- Challenging assumptions and judgements made by management in their critical accounting estimates. This included but was not limited to the investment property valuation assumptions.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Delta Oulton Hall Property Limited

Independent Auditor's Report to the Members of Delta Oulton Hall Property Limited *(continued)*

Year ended 31 December 2021

Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 15 of the Isle of Man Companies Act 1982. 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.

Andrew Ball

Andrew Ball (Senior Statutory Auditor)

For and on behalf of
Haysmacintyre LLP
Chartered accountants & statutory auditor
10 Queen Street Place
London
United Kingdom
EC4R 1AG

Date: 23 September 2022

Delta Oulton Hall Property Limited

Statement of Comprehensive Income

Year ended 31 December 2021

	Note	2021 £	2020 £
Turnover		3,417,191	1,676,028
Gross profit		<u>3,417,191</u>	<u>1,676,028</u>
Administrative expenses		(205,557)	(71,307)
Fair value adjustment - investment property		<u>1,600,987</u>	<u>(4,754,315)</u>
Operating profit/(loss)		4,812,621	(3,149,594)
Interest payable and similar expenses	4	<u>(3,245,213)</u>	<u>(3,191,889)</u>
Profit/(loss) before taxation		1,567,408	(6,341,483)
Tax on profit/(loss)		<u>—</u>	<u>—</u>
Profit/(loss) for the financial year and total comprehensive income		<u><u>1,567,408</u></u>	<u><u>(6,341,483)</u></u>

All the activities of the company are from continuing operations (2020: continuing operations).

The company has no other recognised items of income and expenses other than the results for the year as set out above.

The notes on pages 10 to 16 form part of these financial statements.

Delta Oulton Hall Property Limited

Statement of Financial Position

31 December 2021

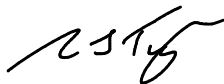
	Note	2021 £	2020 £
Fixed assets			
Investment property	7	23,133,204	41,128,454
Current assets			
Debtors	9	14,290,215	6,704,725
Creditors: amounts falling due within one year	10	(18,780,486)	(22,772,980)
Net current liabilities		(4,490,271)	(16,068,255)
Total assets less current liabilities		18,642,933	25,060,199
Creditors: amounts falling due after more than one year	11	(18,732,454)	(26,717,128)
Net liabilities		(89,521)	(1,656,929)
Capital and reserves			
Share capital	12	8,282,534	8,282,534
Profit and loss account		(8,372,055)	(9,939,463)
Shareholders deficit		(89,521)	(1,656,929)

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with Section 1A of FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

These financial statements were approved by the board of directors and authorised for issue on 23 September 2022, and are signed on behalf of the board by:



Director
For & On Behalf of
Enmyn Limited



Director
For & On Behalf of
Enmyn Limited

Company registration number: 015122V

The notes on pages 10 to 16 form part of these financial statements.

Delta Oulton Hall Property Limited

Statement of Changes in Equity

Year ended 31 December 2021

	Share capital £	Profit and loss account £	Total £
At 1 January 2020	8,282,534	(3,597,980)	4,684,554
Loss for the year		(6,341,483)	(6,341,483)
Total comprehensive income for the year	—	(6,341,483)	(6,341,483)
At 31 December 2020	8,282,534	(9,939,463)	(1,656,929)
Profit for the year		1,567,408	1,567,408
Total comprehensive income for the year	—	1,567,408	1,567,408
At 31 December 2021	<u>8,282,534</u>	<u>(8,372,055)</u>	<u>(89,521)</u>

The notes on pages 10 to 16 form part of these financial statements.

Delta Oulton Hall Property Limited

Notes to the Financial Statements

Year ended 31 December 2021

1. General information

The company is a private company limited by shares, registered in Isle of Man. The address of the registered office is First Names House, Victoria Road, Douglas, IM2 4DF, Isle of Man. The principal place of trading is The Oulton Hall Hotel, Rothwell Lane, Oulton, Leeds LS26 8HN.

2. Statement of compliance

These financial statements have been prepared in accordance with Section 1A of Financial Reporting Standard (FRS 102), the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Isle of Man Companies Act 2006.

3. Accounting policies

Basis of preparation

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

The following principal accounting policies have been applied:

Going concern

In preparing the financial statements, management made an assessment of the entity's ability to continue as a going concern. They have a reasonable expectation that the company will have adequate resource to continue in operational existence for the foreseeable future, and at a minimum the 12 months from the date of signing these accounts.

The company owns a hotel and leases it to a company within the same group under an operating lease agreement.

Since the reopening in 2021 following Covid-19 related closures, the hotel this company owns has improved against pre-Covid-19 trading, and the progress of the UK vaccination programme has given confidence that no further national lockdowns should be necessary. However, with current global events creating uncertainty and directly impacting the business management have undertaken the opportunity to reassess the cost base of the company and costs have been cut where appropriate to improve the operating margins and performance of the business in 2022. Management are confident that rental payments will continue to be received.

Cash forecasts have been prepared for next eighteen months, showing a cash generative position and positive cash balance, as well as compliance with the bank debt covenants. The bank debt in place that supports this company requires a reduction of the debt within twelve months of the date of signing these financial statements. The range of options available, the progress to date on these options and the existing cash available means management are satisfied that, whilst there is uncertainty over the exact method used for the debt reduction, this is not considered material to the going concern position of the company. For these reasons, management have concluded that it is appropriate for these financial statements to be prepared on the going concern basis.

For these reasons, management have concluded that the company is a going concern and these financial statements have been prepared on this basis.

Delta Oulton Hall Property Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. Accounting policies *(continued)*

Revenue recognition

Turnover is the total amount receivable by the company in respect of rental charges raised in respect of the leasing of investment property, rechargeable property insurance and rechargeable service charges. It is measured at the fair value of the consideration received or receivable, stated net of discounts and of Value Added Tax.

Operating leases: Company as a lessor

Lease income is recognised in profit or loss on a straight-line basis over the lease term. The aggregate cost of any lease incentives are recognised as a reduction to income over the lease term on a straight-line basis. In 2020 the company issued Covid-19 related rent concessions to its tenant. In line with the amendment to FRS102 issued in October 2020, the rent concessions have been recognised in the period in which they were intended to compensate.

Costs incurred in earning the lease income are recognised as an expense. Any initial direct costs incurred in negotiating and arranging the operating lease are added to the carrying amount of the lease and recognised as an expense over the lease term on the same basis as the lease income.

Interest payable and similar charges

Interest payable and similar charges include interest payable on bank loans hedging costs and finance costs on bank loans. Interest payable is recognised in the profit and loss account in the period to which it relates. Finance costs are released to the profit and loss account over the term of the bank loan.

Taxation

The company is liable to Isle of Man taxation at a rate of zero per cent. As a non-resident landlord of UK property the company is also liable for UK tax under the UK corporation tax regime. The current tax charge as a result of this is calculated on the basis of tax rates and laws that have been enacted by the reporting date, and any charge is recognised in the period to which it relates.

Investment property

Investment property is initially recorded at cost, which includes purchase price and any directly attributable expenditure.

Investment property held under long-leasehold is revalued to its fair value during the reporting period or at each reporting date and any changes in fair value are recognised in profit or loss. In accordance with FRS102 Section 16 no depreciation is charged.

Investment property improvements are initially recognised at cost, until the next valuation when they are included within the fair value.

Delta Oulton Hall Property Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. Accounting policies *(continued)*

Leased assets

At inception the group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined, the group's incremental borrowing rate is used.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Debtors

Basic financial assets, including group and other debtors, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method, less any impairment.

Creditors

Basic financial liabilities, including trade and other creditors, loans from third parties and loans from related parties, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Such instruments are subsequently carried at amortised cost using the effective interest method, less any impairment.

4. Interest payable and similar expenses

	2021	2020
	£	£
Interest on banks loans and overdrafts	879,504	874,234
Interest due to group undertakings	1,502,762	1,276,297
Loan finance costs	277,062	448,753
Finance lease interest	585,885	592,605
	<u>3,245,213</u>	<u>3,191,889</u>

Delta Oulton Hall Property Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

5. Auditors remuneration

The fees payable to the company's auditors for this financial year, in relation to the audit, amounted to £4,320 (2020: £4,000).

6. Employee numbers

The average number of persons employed by the company during the year amounted to nil (2020: nil).

7. Investment property

	Long leasehold property £	Freehold property improvements (in progress) £	Total £
Cost or valuation			
At 1 January 2021	41,128,454	–	41,128,454
Additions	–	176,717	176,717
Disposals	(19,772,954)	–	(19,772,954)
Revaluations	1,600,987	–	1,600,987
Transfers	176,717	(176,717)	–
At 31 December 2021	<u>23,133,204</u>	<u>–</u>	<u>23,133,204</u>
Carrying amount			
At 31 December 2021	<u>23,133,204</u>	<u>–</u>	<u>23,133,204</u>
At 31 December 2020	<u>41,128,454</u>	<u>–</u>	<u>41,128,454</u>

Delta Oulton Hall Property Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

7. Investment property *(continued)*

Investment property as at 31 December 2021 comprises of the leasehold interest of the site at Oulton Hall, Rothwell Lane, Oulton, Leeds, LS26 8HN originally acquired by the company on 1 May 2018. On 21 December 2021 the company transferred its interest in the DoubleTree by Hilton Glasgow Westerwood Spa and Golf Resort, 1 St Andrews Drive, Glasgow G68 0EW to another group entity.

An independent valuation of the leasehold investment property was carried out by Vincorn Group as at 31 December 2021 in accordance with "The RICS Valuation - Global Standards 2020" issued by the Royal Institute of Chartered Surveyors (RICS), which incorporates the International Valuation Standards. Management have assessed that this is the fair value of the investment property as at 31 December 2021.

The valuation at 31 December 2021 contains a 'material valuation uncertainty' clause per in VPS 3 and VPGA 10 of the RICS Valuation - Global Standards. This is as a result of the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, which has impacted global financial markets and the availability of relevant / sufficient market evidence on which to base judgments.

Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case.

The fair value of the freehold element which is held under finance lease has been calculated using the net present value of future cashflows from the lease, and the interest rate implicit in the arrangement. The lease was 999 years at the point of inception and the finance lease has been valued based on the payments over the full lease term. The net book value of assets held under finance leases included above are £3,633,204 (2020: £6,428,454) relating to property leases.

8. Operating lease

Future minimum lease income in relation to non-cancellable operating leases are receivable as follows:

	2021 £	2020 £
Within 1 year	1,805,000	3,306,440
Later than 1 year but not later than 5 years	7,221,760	13,225,760
Later than 5 years	31,595,200	59,267,520
	<u>40,621,960</u>	<u>75,799,720</u>

£nil (2020: £1,697,497) of discount on property rental income was given in 2021 due to the impact of Covid-19 on the lessee.

9. Debtors

	2021 £	2020 £
Amounts owed by group undertakings	14,064,582	6,195,514
Other debtors	225,633	509,211
	<u>14,290,215</u>	<u>6,704,725</u>

Delta Oulton Hall Property Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

9. Debtors *(continued)*

The amounts due from group undertakings are unsecured, interest free and repayable on demand.

10. Creditors: amounts falling due within one year

	2021	2020
	£	£
Bank loan	97,045	3,209,864
Trade creditors	814,503	601,051
Amounts owed to group undertakings	17,711,914	18,858,950
Accruals	157,024	103,115
	<u>18,780,486</u>	<u>22,772,980</u>

Included with the amounts owed to group undertakings are interest-bearing loan notes of £10,934,692 (2020: £14,033,047), with interest charged in tranches of 10%, 15% and 20% per annum. Also included with the amounts owed to group undertakings are further interest-bearing loan notes of £310,767 (2020: £11,333) with interest charged at a flat 10% per annum. Interest is payable quarterly on these loan notes, but the company has the option of capitalising this interest by creating new loan notes. The balance of the amounts disclosed as owed to group undertakings is interest free.

All amounts owed to group undertakings are unsecured and repayable on demand, but subordinated to the bank loan.

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

	2021	2020
	£	£
Bank loan	12,929,933	18,779,086
Finance lease	3,631,706	5,767,227
Deferred income	2,170,815	2,170,815
	<u>18,732,454</u>	<u>26,717,128</u>

The bank loan is provided by a syndicate of lenders and is secured on the company's investment property. The loan interest is payable quarterly at a rate of a margin not less than 3% plus SONIA (inclusive of credit spread) (2020 - margin of not less than 3% plus LIBOR), and the loan is due to mature in December 2024. Quarterly capital payments are required leading up to the maturity date, the value of which depends on performance and leverage. The facility agreement also includes a commitment for a debt paydown by 31 March 2023 across the Delta Portfolio investments. To meet the commitment, the ultimate controlling party could look for additional funding or look to sell an asset. At the year-end date no funding has been identified and no individual asset / investment identified.

Delta Oulton Hall Property Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

12. Share capital

Issued, called up and fully paid

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

13. Finance lease

The future finance lease payments are as follows:

	2021	2020
	£	£
Within 1 year	339,376	593,003
Later than 1 year but not later than 5 years	1,392,127	2,416,022
Later than 5 years	697,183,243,728	108,168,244,894
	<u>697,184,975,231</u>	<u>108,171,254,009</u>

The finance lease relates to the leasehold interest of the site at Oulton Hall, Rothwell Lane, Oulton, Leeds, LS26 8HN (and for 2020 only the leasehold interest for the DoubleTree by Hilton Glasgow Westerwood Spa and Golf Resort, 1 St Andrews Drive, Glasgow G68 0EW) acquired by the company on 1 May 2018. The lease has 996.5 years unexpired at the end of 2021 (2020: 997.5 years). There are no contingent rental, renewal or purchase option clauses therefore the lease payments for the full lease term have been included above. Rents payable increase by RPI every five years with an annual collar and cap of 1% and 4% respectively. The above rental payments have been calculated using the 1% collar which is in line with assumptions used for the finance lease liability calculations, and this reflects the minimum increase rise every five years.

14. Post balance sheet events

Post year end on 18 February 2022, £6,711,223 of the debt disclosed as an intercompany creditor as at 31 December 2021 was listed on The International Stock Exchange (TISE). There has been no change in the ownership of the debt since its listing as it continues to held by the immediate parent company. £277,735 of the debt carries interest at 10% per annum. The remaining £6,433,488 carries interest at a blended rate of 10% - 20% per annum.

Post year end on 11 March 2022, £4,289,014 of the debt disclosed as an intercompany creditor as at 31 December 2021 was listed on The International Stock Exchange (TISE). There has been no change in the ownership of the debt since its listing as it continues to held by the immediate parent company. £22,041 of the debt carries interest at 10% per annum. The remaining £4,266,973 carries interest at a blended rate of 10% - 20% per annum.

15. Ultimate parent undertaking and controlling party

The immediate parent is Delta Oulton Hall Holdings Limited, a company registered in Isle of Man at First Names House, Victoria Road, Douglas, IM2 4DF, Isle of Man.

The ultimate controlling party is Delta Portfolio Property 2 LLP, an entity registered in England & Wales at 22 Baker Street, London, W1U 3BW.