Company Registration No. 02724522 (England and Wales)

CENTRE ISLAND DEVELOPMENT COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

CENTRE ISLAND DEVELOPMENT COMPANY LIMITED

COMPANY INFORMATION

Directors	M C Foster M O'Donoghue M S Sutton
Secretary	M S Sutton
Company number	02724522
Registered office	Crowne Plaza Liverpool St. Nicholas Place Princes Dock Liverpool L3 1QW England
Auditor	RSM UK Audit LLP Chartered Accountants 14th Floor 20 Chapel Street Liverpool L3 9AG
Bankers	Allied Irish Bank (GB) AIB Corporate Banking Level 2, 10 Molesworth Street Dublin 2

CENTRE ISLAND DEVELOPMENT COMPANY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Holiday Inn Ellesmere Port / Cheshire Oaks

Review of the business
Due to its geographical location and core business segments the company's recovery from the COVID-19 pandemic was quicker than some of its competitors. Whilst Government guidelines and restrictions remained in place throughout Q1 & Q2, the company's base segments of chemical and manufacturing drove strong midweek occupancies throughout the year. The company took the strategic decision not to enter into any of the available Government-led exclusive use hotel bedroom contracts.

Once leisure stays were permitted from May 2021 there was an increased leisure demand which returned occupancy levels to pre-pandemic levels by the summer months. The wedding and event segment, one of the key revenue drivers for the company, was still badly affected by the on-going COVID-19 restrictions, and uncertainty led to revenues being significantly reduced in this segment compared to pre-pandemic levels.

The hotel saw occupancy remain static year on year, compared to the overall Ellesmere Port/Chester midscale market growth of 13.2% albeit from a much lower base. With improved demand in the market, pricing became more positive across all segments, and therefore achieved ADR (average daily rate) increased year on year by 19.3%, whilst the Ellesmere Port/Chester midscale hotel market increased by 27.6%, again from a much lower base. Overall hotel revenues increased by 46.9% on the prior year result.

Payroll costs steadily increased throughout the year as restrictions were lifted, however as with many other hospitality organisations the company faced major recruitment challenges in the second half year as demand rose. Overall payroll percentage for the year was 35.9%, down on the prior year's result of 50.9%.

Direct costs were controlled with the variable elements reduced significantly to prior year in the first half year. Conversely, fixed costs applicable to the property such as insurance remained in place, and the company met all its rent and service charge obligations in the year. The company took advantage of the business rates relief available for the hospitality industry. The EBITDA achieved was £645,093 (2020: £97,130).

Holiday Inn Express Liverpool Albert Dock

Review of the business
The opening first two quarters of the year were challenging for the company, with leisure travel restricted and opportunities for key/essential workers limited in the overall market. The company took the strategic decision not to enter into any of the available Government-led exclusive use hotel bedroom contracts.

Once leisure overnight stays were permitted in May 2021, this saw an increase in both midweek and weekend leisure demand from both couples and families which continued throughout Q3 & Q4. The second half of the year saw all restrictions lifted in July 2021, which saw the return of some of the key demand drivers - football, music and city-wide events, both corporate and leisure.

The hotel saw the year on year occupancy remain static on the previous year, compared to the overall Liverpool limited service market growth of 22.4%, primarily driven out of high leisure demand. With improved demand in the market, the hotel took the decision to follow a rate-driven strategy and ADR (average daily rate) grew year on year by 40.6%, whilst the Liverpool limited service hotel market declined by 28.9%. Overall hotel revenues increased by 92.3% on the prior year result.

Payroll costs steadily increased throughout the year as restrictions were lifted, however as with many other hospitality organisations the company faced major recruitment challenges in the second half year as demand rose. Overall payroll percentage for the year was 26.81%, down on the prior year's result of 53.1%.

Direct costs were controlled with the variable elements reduced significantly to prior year in the first half year. Conversely, fixed costs applicable to the property such as insurance remained in place, and the company met all its rent and service charge obligations in the year. The company took advantage of the business rates relief available for the hospitality industry. The EBITDA achieved was £427,446 (2020: £(398,644)).

Review of the business (continued)
The company met all its obligations in terms of capital and interest repayments to its funder which were reintroduced in Q3 2021 having received a moratorium in the prior year to assist with cashflow.

The year end balance sheet reflects the 2021 financial performance. The Board obtained professional valuations of the hotels in Q2 2022 and, after giving due consideration to the current market value of the Holiday Inn Ellesmere Port and the Holiday Inn Express Liverpool Albert Dock, and based on the valuation reports, decided to recognise an increase in value. This has been reflected in the net asset position of the company.

Future developments
With the full relaxation of Government-imposed restrictions in January 2022, the outlook for 2022 is more positive than the previous two years.

Midweek and weekend leisure demand is forecast to remain strong across all locations and is predicted to continue throughout the year. Positively, the return of large-scale sporting and music events has driven demand in Q1 and into Q2 and, as such, average daily room rates are increasing over peak periods.

The hospitality industry has benefited from the stepped increase in VAT, returning to 20% in April 2022, contributing significantly to EBITDA conversion levels in Q1.

In Holiday Inn Ellesmere Port / Cheshire Oaks, key corporate demand remains positive, reaching pre-pandemic levels, supporting overall occupancy, and this is forecast to continue through 2022. Positively, the important wedding market has returned after two years, which is supporting ancillary food and beverage spend throughout the summer wedding months.

In Holiday Inn Express Liverpool Royal Albert Dock, conversely, key corporate demand remains lower than at pre-pandemic levels, impacting overall occupancy, and this is forecast to continue until Q3 2022. There is cautious optimism with large event-led corporate groups coming to fruition in Q1/Q2 2022, but these remain mainly UK derived rather than overseas.

Previous recruitment challenges now appear to have stabilised across the group but now the escalation of other costs – particularly food and utility costs - has put additional pressure on profitability.

Q1/Q2 2022 show signs of improved recovery from 2021, and the overall future outlook remains positive whilst still being viewed with some caution to the December 2022 year end.

Matters of strategic importance
The principal risks and uncertainties facing the business (apart from those associated with a general economic downturn and the local and national economic matters set out above) relate to the management of cash and borrowing requirements and the potential default of debtors. Details of the objectives and policies used by management to manage these risks are given in the directors' report.

On behalf of the board

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M S Sutton
Director

Date: 15/07/22

CENTRE ISLAND DEVELOPMENT COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities
The principal activity of the company during the year was the operation of hotels.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

M C Foster
M O'Donoghue
M S Sutton

Results and dividends
The results for the year are set out on page 8. No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors' insurance
The group in which the company is a member maintains professional indemnity insurance covering directors, officers and senior managerial staff.

Financial risk management objectives and policies
Borrowing and investments of cash surpluses are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

The group of which the company is a member manages its cash and borrowing requirements centrally in order to maximise interest income and minimise interest expense whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Auditor
RSM UK Audit LLP has indicated its willingness to continue in office and is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Matters set out in the strategic report
As permitted by s414C(11) of Companies Act 2006, the company has chosen to set out in the strategic report information required by Sch.7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be included in the directors' report. It has done so in respect of future developments.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

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M S Sutton
Director

Date: 15/07/22

CENTRE ISLAND DEVELOPMENT COMPANY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CENTRE ISLAND DEVELOPMENT COMPANY LIMITED

Opinion
We have audited the financial statements of Centre Island Development Company Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including 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 its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 4, 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 directors 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006, tax compliance regulations and the Coronavirus Job Retention Scheme rules. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities, evaluating advice received from internal/external tax advisors and testing a sample of furlough claims.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety, food hygiene and similar regulations. We performed audit procedures to enquire of management and those charged with governance whether the company is in compliance with these laws and regulations.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, and reviewing key accounting estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member 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 member for our audit work, for this report, or for the opinions we have formed.

Jonathan Lowe

Jonathan Lowe (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
14th Floor
20 Chapel Street
Liverpool
L3 9AG 15/07/22
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CENTRE ISLAND DEVELOPMENT COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Turnover	3	4,934,656	2,658,472
Cost of sales		(359,358)	(225,070)
Gross profit		4,575,298	2,433,402
Administrative expenses		(4,182,648)	(3,726,261)
Other operating income	5	182,767	493,998
Operating profit/(loss)	5	575,417	(798,861)
Interest receivable and similar income	6	530	-
Interest payable and similar expenses	7	(213,318)	(223,369)
Profit/(loss) before taxation		362,629	(1,022,230)
Tax on profit/(loss)	8	(80,209)	189,490
Profit/(loss) for the financial year		282,420	(832,740)
Other comprehensive (expense)/income			
Effect of change in deferred tax rate on amounts brought forward in revaluation reserve		(232,146)	(91,706)
Revaluation of tangible fixed assets		1,754,396	(716,219)
Deferred tax on revaluation	8	(438,599)	136,082
Total comprehensive income/(expense) for the year		1,366,071	(1,504,583)

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

Company Registration No. 02724522

CENTRE ISLAND DEVELOPMENT COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Tangible assets	9		16,900,000		15,400,000
Current assets					
Stocks	10	15,899		11,948	
Debtors	11	2,791,962		2,009,402	
Cash at bank and in hand		215,968		363,445	
		3,023,829		2,384,795	
Creditors: amounts falling due within one year	12	(2,881,972)		(2,639,060)	
Net current assets/(liabilities)			141,857		(254,265)
Total assets less current liabilities			17,041,857		15,145,735
Creditors: amounts falling due after more than one year	13		(6,685,129)		(6,858,815)
Provisions for liabilities	15		(1,453,582)		(749,845)
Net assets			8,903,146		7,537,075
Capital and reserves					
Called up share capital	17		200		200
Share premium account	18		99,850		99,850
Revaluation reserve	18		4,217,624		3,133,973
Profit and loss reserves	18		4,585,472		4,303,052
Total equity			8,903,146		7,537,075

The financial statements were approved by the board of directors and authorised for issue on 15/07/22
and are signed on its behalf by:

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M S Sutton
Director

CENTRE ISLAND DEVELOPMENT COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Share premium account	Revaluation reserve	Profit and loss reserves	Total
	£	£	£	£	£
Balance at 1 January 2020	200	99,850	3,805,816	5,135,792	9,041,658
Year ended 31 December 2020:					
Loss for the year	-	-	-	(832,740)	(832,740)
Other comprehensive expense:					
Revaluation of tangible fixed assets	-	-	(716,219)	-	(716,219)
Deferred tax on revaluation	-	-	136,082	-	136,082
Effect of change in deferred tax rate on amounts brought forward in revaluation reserve	-	-	(91,706)	-	(91,706)
Total comprehensive expense for the year	-	-	(671,843)	(832,740)	(1,504,583)
Balance at 31 December 2020	200	99,850	3,133,973	4,303,052	7,537,075
Year ended 31 December 2021:					
Profit for the year	-	-	-	282,420	282,420
Other comprehensive income/(expense):					
Revaluation of tangible fixed assets	-	-	1,754,396	-	1,754,396
Deferred tax on revaluation	-	-	(438,599)	-	(438,599)
Effect of change in deferred tax rate on amounts brought forward in revaluation reserve	-	-	(232,146)	-	(232,146)
Total comprehensive income for the year	-	-	1,083,651	282,420	1,366,071
Balance at 31 December 2021	200	99,850	4,217,624	4,585,472	8,903,146

1 Accounting policies

Company information
Centre Island Development Company Limited is a private company limited by shares incorporated in England and Wales. The registered office is Crowne Plaza Liverpool, St. Nicholas Place, Princes Dock, Liverpool, England, L3 1QW. The principal places of business are Holiday Inn Express Liverpool Albert Dock, Brittania Pavillion, Albert Dock, Liverpool L3 4AD and Holiday Inn Ellesmere Port, Lower Mersey Street, Ellesmere Port, Cheshire CH65 2AL. The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention
These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

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

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of leasehold properties. The principal accounting policies adopted are set out below.

Reduced disclosures
The company is a qualifying entity under the FRS 102 Reduced Disclosure Framework and has taken advantage of the exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' - Presentation of a Statement of Cash Flow and related notes and disclosures.
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' - Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values, details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
- Section 33 ' Related Party Disclosures' - Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Centre Island Hotels Limited. The consolidated financial statements of Centre Island Hotels Limited are available from its registered office, Crowne Plaza Liverpool, St. Nicholas Place, Princes Dock, Liverpool, England, L3 1QW.

Going concern
The company recorded a profit for the year ended 31 December 2021 of £0.3m and ended the year with net current assets of £0.1m. The COVID-19 pandemic had a significant impact on the company's operations during the year. While the hotels are now fully open, the impact of the pandemic on international travel and corporate events continues to be felt.

The company is a wholly owned subsidiary of Centre Island Hotels Limited. The Centre Island Hotels Limited group has net assets of £20.4m and operates a group bank facility sufficient to meet its subsidiaries' working capital requirements for the foreseeable future. The group has provided written confirmation to the company that financing will be available as required for a period not less than twelve months from the date of approval of these financial statements, and that repayment of intercompany creditors will not be demanded by the group unless the company has sufficient funds to do so.

1 Accounting policies (Continued)

Going concern (continued)

The Centre Island Hotels Limited group is financed principally through a group bank facility of approximately £40m. The facility was renewed in April 2021 and is next due for renewal on 31 December 2024. The directors have prepared cash flow forecasts covering a period not less than twelve months from the date of approval of these financial statements. These forecasts indicate that the group will have sufficient cash to meet its covenants and make its scheduled principal and interest payments for a period not less than twelve months from the date of approval of these financial statements.

In addition, during the year the group continued to hold loans totalling £1.05m from three related companies and a loan of £1.6m from its ultimate parent company. These loans are repayable on 23 July 2022 and 13 January 2023 respectively. Post year end, the loans totalling £1.05m have had their repayment date extended out to 31 December 2024. The group has also received a letter of support from its ultimate parent company confirming that it will continue to support the group financially for a period not less than twelve months from the date of approval of these financial statements.

Taking into account the above matters, the group's good relationship with its longstanding and supportive bankers, with whom the directors are in regular contact, and its supportive shareholders and related party lenders, the directors are satisfied that the company is a going concern and that it remains appropriate to prepare these financial statements on a going concern basis.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and services in the ordinary nature of the business and is shown net of trade discounts and Value Added Tax. All revenue is recognised during the period in which the goods or services are provided.

Tangible fixed assets

All fixed assets are initially recorded at cost and are stated net of depreciation and any provision for impairment except where noted below. Land and buildings are stated at valuation.

Depreciation is calculated so as to write off the cost of a tangible fixed asset, less its estimated residual value, over the useful economic life of that asset as follows:

Long leasehold land and buildings	No depreciation (see below)
Fixtures, fittings and equipment	4-12 years straight line
Motor vehicles	4 years straight line

Depreciation is not provided on leasehold buildings where the term of the lease is more than 50 years, as it is not material, nor on land. In accordance with FRS102, an impairment review is performed on such assets. Where the results of this review demonstrate that the recoverable amounts of these assets are less than the relevant carrying amount in the financial statements a full provision is made for such a shortfall.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Expenditure on repairs and renewals is charged to profit or loss at the time of expenditure. Major refurbishment projects forming part of the planned programme of maintaining the properties in a good state of repair are capitalised at cost under the appropriate asset category and depreciated in accordance with the accounting policy. Any net book value attributable to the asset being replaced is written off to profit or loss when refurbishment takes place.

1 Accounting policies (Continued)

Impairment of fixed assets
At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Stocks
Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cash and cash equivalents
Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments
The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all its financial instruments. Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument. Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets, which include trade and other debtors, amounts owed by group undertakings and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Basic financial liabilities, including bank loans, trade and other creditors and amounts owed to group undertakings, 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 receipts discounted at a market rate of interest. Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation
The tax expense represents the sum of the current tax expense and deferred tax expense. Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income or equity.

1 Accounting policies (Continued)

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are not taxable or deductible, or that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset if, and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Employee benefits
The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits
For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases
Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

Government grants
Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Grants received from the UK Government under the Coronavirus Job Retention Scheme ('CJRS') have been recognised in other operating income. The related employment costs are included in administrative expenses. The scheme compensates employers for part of the employment costs of employees placed on furlough (a temporary leave of absence from working for the employer). The grant is conditional upon the employees remaining on the payroll, and the employees cannot do any work for their employer while on furlough. There are no unfulfilled conditions or contingencies attached to the grants received.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The main judgements applied in preparing these financial statements concern the recoverability of amounts owed by group undertakings included in note 11, taking into account the expected future trading and financial position of the underlying entities, and the carrying value of the company's leasehold land and buildings and the rate of depreciation applied to its fixtures, fittings and equipment, included in these financial statements on the basis reflected in note 9.

Judgement has also been made regarding Coronavirus Job Retention Scheme ('CJRS') claims as detailed below:

Government grants
During the year the company made significant use of the government's Coronavirus Job Retention Scheme. During this process various judgements were made in the calculations performed, due to the quality of the guidance given by HMRC. As a result, the directors are aware that there may be some errors in the calculations leading to under/over claims from HMRC. The directors have since made full disclosure to HMRC in relation to this.

Overclaims relating to 2020 have been repaid to HMRC in the year ended 31 December 2021 and overclaimed amounts relating to 2021 have been accrued in these financial statements, with the charge expensed against CJRS income in the year.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2021 £	2020 £
Turnover analysed by class of business		
Operation of a hotel	4,934,656	2,658,472

	2021 £	2020 £
Turnover analysed by geographical market		
United Kingdom	4,934,656	2,658,472

4 Employees

The average monthly number of persons (excluding directors) employed by the company during the year was:

	2021 Number	2020 Number
Operations staff (see also below)	92	98
Administrative staff (see also below)	7	8
Total	99	106

The number of staff shown in the table above reflects average numbers during the year. Actual staff numbers at 31 December 2021 comprised operations staff of 100 (2020 - 82) and administrative staff of 7 (2020 - 4).

Aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	1,537,978	1,487,560
Social security costs	75,713	77,308
Pension costs	38,072	41,194
	1,651,763	1,606,062

The directors received no remuneration from the company and accrued no retirement benefits under money purchase pension schemes in either the current or previous year. Directors' remuneration is borne by the parent company Centre Island Hotels Limited.

5 Operating profit/(loss)

Operating profit/(loss) for the year is stated after charging/(crediting):	2021 £	2020 £
Government grants	(182,767)	(493,998)
Fees payable to the company's auditor for the audit of the company's financial statements	8,800	6,700
Depreciation of owned tangible fixed assets	377,596	376,741
Operating lease charges	372,341	377,899

Government grants reflect grants towards the employment costs of staff placed on furlough following the outbreak of the coronavirus (COVID-19) pandemic in early 2020.

6 Interest receivable and similar income

	2021 £	2020 £
Interest income		
Interest on bank deposits	530	-

7 Interest payable and similar expenses

	2021 £	2020 £
Interest on bank overdrafts and loans	213,318	223,369

8 Taxation

	2021 £	2020 £
Current tax		
Adjustments in respect of prior periods	(46,174)	(175,780)
Group tax relief	93,391	-
Total current tax	47,217	(175,780)
Deferred tax		
Origination and reversal of timing differences	(13,182)	(18,177)
Adjustment in respect of prior periods	46,174	4,467
Total deferred tax	32,992	(13,710)
Total tax charge/(credit)	80,209	(189,490)

8 Taxation (Continued)

The total tax charge/(credit) for the year included in the income statement can be reconciled to the profit/(loss) before tax multiplied by the standard rate of tax as follows:

	2021 £	2020 £
Profit/(loss) before taxation	362,629	(1,022,230)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	68,900	(194,224)
Tax effect of expenses that are not deductible in determining taxable profit	131	1,389
Losses carried back	-	170,787
Adjustments in respect of prior years	(46,174)	(175,780)
Deferred tax adjustments in respect of prior years	46,174	4,467
Remeasurement of deferred tax for changes in tax rates	11,450	3,871
Fixed asset differences	(272)	-
Taxation charge/(credit) for the year	80,209	(189,490)

In addition to the amount charged/(credited) to profit or loss, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2021 £	2020 £
Effect of change in deferred tax rate on amounts brought forward in revaluation reserve	232,146	91,706
Deferred tax arising on revaluation of tangible fixed assets	438,599	(136,082)
Total tax recognised in other comprehensive income	670,745	(44,376)

Factors that may affect future tax charges
In the budget on 3 March 2021, the UK Government announced an increase in the main rate of corporation tax in the UK from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 2021.

9 Tangible fixed assets

	Long leasehold land and buildings	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£
Cost or valuation				
At 1 January 2021	13,966,209	8,871,999	7,394	22,845,602
Additions	87,303	35,897	-	123,200
Revaluation	1,754,396	-	-	1,754,396
At 31 December 2021	15,807,908	8,907,896	7,394	24,723,198
Depreciation and impairment				
At 1 January 2021	-	7,438,208	7,394	7,445,602
Depreciation charged in the year	-	377,596	-	377,596
At 31 December 2021	-	7,815,804	7,394	7,823,198
Carrying amount				
At 31 December 2021	15,807,908	1,092,092	-	16,900,000
At 31 December 2020	13,966,209	1,433,791	-	15,400,000

The hotels including their fixtures, fittings and equipment were independently valued at £16.9m by Cushman & Wakefield, Chartered Surveyors, on a market value basis as at 31 May 2022. The valuations were carried out by desktop review, taking into account the results and financial position of the hotels and recent transactions in the hotel sector. The valuations at this date are considered to be a fair approximation to the values as at 31 December 2021 and have therefore been reflected in these financial statements. The valuations undertaken applied to land & buildings and fixtures & fittings.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2021	2020
	£	£
Cost	10,184,411	10,097,108
Accumulated depreciation	-	-
Carrying value	10,184,411	10,097,108

10 Stocks

	2021	2020
	£	£
Food, beverage and supplies	15,899	11,948

11 Debtors

Amounts falling due within one year:	2021 £	2020 £
Trade debtors	89,788	49,496
Corporation tax recoverable	46,174	-
Amounts owed by group undertakings	2,457,453	1,807,453
Prepayments and accrued income	198,547	152,453
	2,791,962	2,009,402

12 Creditors: amounts falling due within one year

	Notes	2021 £	2020 £
Bank loans	14	347,407	347,407
Trade creditors		338,969	544,360
Amounts owed to group undertakings		1,781,808	1,541,210
Taxation and social security		125,200	73,127
Other creditors		1,875	258
Accruals and deferred income		286,713	132,698
		2,881,972	2,639,060

13 Creditors: amounts falling due after more than one year

	Notes	2021 £	2020 £
Bank loans and overdrafts	14	6,685,129	6,858,815

14 Borrowings

	2021 £	2020 £
Bank loans	7,032,536	7,206,222
Payable within one year	347,407	347,407
Payable after one year	6,685,129	6,858,815

14 Borrowings (Continued)

Borrowings reflect the company's share of a group facility which was renewed on 4 April 2017 and comprised loans totalling £45.8m. The loans were repayable in quarterly instalments of £500,000. Interest was charged at LIBOR +2.90% and was payable quarterly. From 1 October 2021, LIBOR was replaced with the compounded SONIA rate as a result of the interest rate benchmark reform. The period of the loans was five years and the facility was originally due for renewal on 31 March 2022 but was renewed in April 2021. The quarterly instalments and interest rate are unchanged and the loans are now due for renewal on 31 December 2024. The bank loans are secured on the group's hotel properties by way of a legal charge dated 4 April 2017.

To mitigate the impact of lockdown measures taken to control the spread of coronavirus, the company was granted capital repayment holidays covering all capital repayments due in 2020, and was allowed to roll up interest due for payment on 31 March 2020 and 30 June 2020 into the loan. Capital repayments recommenced in September 2021.

15 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Balances:	Liabilities 2021 £	Liabilities 2020 £
Fixed asset timing differences	47,759	51,800
Losses and other deductions	-	(36,989)
Revaluations	1,405,875	735,128
Short term timing differences	(52)	(94)
	1,453,582	749,845

Movements in the year:	2021 £
Liability at 1 January 2021	749,845
Charge to profit or loss	32,992
Charge to other comprehensive income	438,599
Effect of change in tax rate - other comprehensive income	232,146
Liability at 31 December 2021	1,453,582

The deferred tax liability relating to revaluations will reverse only if the applicable rate of tax is reduced, the valuation of the company's property decreases or the property is sold. It is not possible to state the extent to which the other deferred tax assets and liabilities are expected to reverse within the next twelve months because reversal depends on several factors which cannot be reliably estimated.

16 Retirement benefit schemes

Defined contribution schemes	2021 £	2020 £
Charge to profit or loss in respect of defined contribution schemes	38,072	41,194

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

17 Share capital

Ordinary share capital	2021 Number	2020 Number	2021 £	2020 £
Issued and fully paid				
Ordinary shares of £1 each	200	200	200	200

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

18 Reserves

Share premium
Share premium reflects consideration for shares issued above their nominal value, net of transaction costs.

Revaluation reserve
The revaluation reserve reflects revaluation gains and losses in respect of land and buildings, except revaluation gains and losses recognised in profit or loss, net of tax.

Profit and loss reserves
The profit and loss reserves reflect cumulative profit and losses net of distributions to members.

19 Financial commitments, guarantees and contingent liabilities

The company's bankers hold a composite guarantee and indemnity covering all sums due from Centre Island Hotels Limited, Centre Island Preston Limited, Centre Island Birmingham Limited, Centre Island Development Company Limited, Centre Island Development Company (1997) Limited, Centre Island Albert Dock Limited, Centre Island Management Limited and H. I. Lime Street Limited. At the year end the total potential group liability stood at £39,687,251 (2020 - £40,559,642).

20 Operating lease commitments

Lessee

Operating lease payments reflect rentals payable by the company, including related service charges, for the long leasehold land and buildings from which it undertakes its principal activity.

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021	2020
	£	£
Within one year	372,341	377,899
Between one and five years	1,489,364	1,511,596
In over five years	18,842,902	19,481,932
	20,704,607	21,371,427

21 Related party transactions

During the year, the company received £8,366 (2020 - £3,845) and paid £nil (2020 - £nil) in respect of amounts recharged for services provided to and by non-group entities which have directors in common with the company. No amounts were outstanding at the beginning or end of the year.

The company has taken advantage of the exemption available under Section 33 of FRS 102 and has not disclosed details of transactions or balances with other wholly-owned companies in the group headed by Centre Island Hotels Limited.

22 Ultimate controlling party

The immediate parent company is Centre Island Hotels Limited, a company incorporated in the United Kingdom and registered in England and Wales. Centre Island Hotels Limited heads the largest and smallest group in which the results of the company are consolidated. Its consolidated financial statements are available from its registered office, Crowne Plaza Liverpool, St. Nicholas Place, Princes Dock, Liverpool, England, L3 1QW.

The ultimate parent company is Travan Services Limited, a company incorporated in the Isle of Man. Travan Services Limited does not prepare consolidated financial statements. Its registered office is First Names House, Victoria Road, Douglas, Isle of Man, IM2 4DF. In the opinion of the directors there is no ultimate controlling party.