

HI (Reading South) Limited

Annual report and financial statements

Registered number 04721028

31 March 2020



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Officers and professional advisor

Directors

Christopher David Elkins Appointed 2 December 2020

Raoul René Hofland

Neil Jonathan Robson Appointed 2 December 2020

Gerardus Johannes Schipper

Secretary

Intertrust (UK) Limited

Registered office

1 Bartholomew Lane

London

EC2N 2AX

Independent auditor

KPMG LLP

15 Canada Square

London

E14 5GL

Directors' report

The Directors present their annual report and the financial statements for the year ended 31 March 2020.

Principal activity

The principal activities of company are the acquisition, management and sale of investment property in the United Kingdom.

Directors

The directors who held office during the period were as follows:

Christopher David Elkins	Appointed 2 December 2020
Raoul René Hofland	
Neil Jonathan Robson	Appointed 2 December 2020
Gerardus Johannes Schipper	

Dividends

No dividends were declared for the year ended 31 March 2020 (2019: £nil).

Business review

The loss for the year after taxation is £460,000 (2019: Profit £3,069,000).

The investment property is held for capital appreciation. The value has decreased during the year by £1,700,000 (2019: increased £2,800,000).

The Company applies FRS101 - Reduced Disclosure Framework and has taken advantage of the disclosure exemptions allowed under this standard. The Company's parent undertaking, HICP Holdings Limited, was notified of and did not object to the use of the disclosure exemptions.

Key financial indicators

The Company's key financial and other performance indicators during the year were as follows:

Turnover (continuing operations): £887,000 (2019: £863,000)
Loss for the financial year: £460,000 (2019: Profit £3,069,000)
Valuation of the investment property £20,700,000 (2019: £22,400,000)

Brexit related risks

The Company is part of HICP Holdings Limited (the "Group") and the Group's business activities. The Group is exposed to various risks with Brexit such as:

- Recruitment (circa 30% of the workforce are EU citizens, approximately 7% are at management level with 23% at entry level positions), despite the Government change in stance on residency fee there is still a risk to attracting new entry level talent;
- Food & Liquor Cost increases (impacted by reduced freedom of movement of goods, estimates are that there is a potential cost increase of 6%);
- Sales - short term downturn to sales as companies 'adapt' to the changeover including items such as travel bans with corporate clients;
- Potential delay to supply chain from EU sources.

Covid-19 related risks

The COVID-19 pandemic has had a significant adverse impact on the value of the Company's asset(s). We are confident that the hotel management has taken all appropriate actions to protect value during this period of depressed demand and government imposed restrictions.

The Group's liquidity has also been adversely impacted. Depending on the duration of COVID-19 crisis and continued negative impact on economic activity, the company may experience further negative results.

Going concern

On 11 March 2020, the World Health Organization declared the outbreak of Coronavirus COVID-19 a pandemic, due to its rapid spread throughout the world, having affected more than 110 countries at that time. Most global governments are taking restrictive measures to contain the spread of the virus, including: isolation, quarantine, restricting the free movement of people, closure of public and private premises (except those of basic necessity and health), closure of borders and a significant reduction in air, sea, rail and land transport.

The company is part of the group of companies headed by HIN JB Limited (the "wider Group") and its activities are that of an investment property holding company. As a result, the ability of the Company to continue as a going concern is based on the ability of the wider Group to continue as a going concern and to generate sufficient cash flows to repay its external loans.

The wider Group's ultimate parent is owned by a private equity group. The directors understand that the private equity owners are in the process of selling the wider Group. In making their going concern assessment the directors have considered the likely outcome for the wider Group were the private equity group to successfully sell its shareholding. Based on this indication, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, it is not possible to predict what would happen to the wider Group following a sale, in particular if the acquirer would continue to operate the Company or what the financing arrangements would be. In the unlikely event that the sale of the wider group does not complete, the wider group, including the Company, would likely enter administration.

These circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Future developments

The Group is currently operating under a Cooperation Agreement with the Lender group with a view to selling the investment property as part of a wider portfolio. The company may therefore be disposed as part of the sale process. The Cooperation Agreement will be in place until such times as a sales completes.

Financial instruments

The Company finances its activities with a loan from an affiliated company. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities. There are no other financial instruments which are being used by the Company.

Political contributions

The Company did not make any political contributions during the year (2019: £nil).

Disclosure of information to auditor

The directors who were members of the board at the time of approving the directors' report are listed on page 3. Having made enquiries of fellow directors and of the Company's auditor, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditor in connection with preparing their report) of which the Company's auditor is unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487(2) of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Small company provisions statement

This Directors' Report has been prepared in accordance with the provision applicable to companies applying the small companies' exemption. The Company has also applied the small companies' exemptions where it is not required to prepare a strategic report.

By order of the board


G. J. Schipper
Director

1 Bartholomew Lane
London
EC2N 2AX

31 March 2021

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of HI (Reading South) Limited

Opinion

We have audited the financial statements of HI (Reading South) Limited ("the company") for the year ended 31 March 2020 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1.2 to the financial statements which indicates that the Company's ability to continue as a going concern is depended on both the successful sale of the group headed up by the ultimate parent company, HIN JB Limited, and the new shareholder continuing to provide financing to the wider Group. These events and conditions, along with the other matters explained in note 1.2, constitute a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Emphasis of matter – uncertainty in the valuation of investment property

We draw attention to note 7 to the financial statements which states that the independent external valuation of investment property at the reporting date is reported on the basis of 'material valuation uncertainty' due to the potential economic effect of the Coronavirus pandemic. Consequently, more subjectivity is associated with the valuation of investment property than would normally be the case.

Our opinion is not modified in respect of this matter.

Directors' report

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

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

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



Independent auditor's report to the members of HI (Reading South) Limited (continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Chrissy Douka (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
15 Canada Square
E14 5GL
31 March 2021

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 March 2020

	Note	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Turnover	2	<u>887</u>	<u>863</u>
Gross profit		887	863
Administrative expenses	3	<u>(13)</u>	<u>(15)</u>
Operating profit		874	848
Fair value movement on investment property	5	<u>(1,700)</u>	<u>2,800</u>
Profit / (loss) before taxation		<u>(826)</u>	<u>3,648</u>
Tax on profit / (loss)	6	<u>366</u>	<u>(579)</u>
Profit / (loss) for the financial year		<u>(460)</u>	<u>3,069</u>

There is no other comprehensive income during the year.

The above results were derived from continuing operations.

The accompanying notes on pages 13 - 19 form an integral part of the financial statements.

Company registered number: 04721028

Balance Sheet
As at 31 March 2020

	Note	As at 31 March 2020 £000	As at 31 March 2019 £000
Fixed assets			
Investment property	7	20,700	22,400
Current assets			
Debtors: (amounts falling due within one year)	8	6,067	5,188
Creditors: (amounts falling due within one year)	9	(30)	(114)
Net current assets		<u>6,037</u>	<u>5,074</u>
Total assets less current liabilities		<u>26,737</u>	<u>27,474</u>
Provision for liabilities			
Deferred tax liability	10	(1,382)	(1,659)
Net assets		<u>25,355</u>	<u>25,815</u>
Capital and reserves			
Called up share capital	11	2,150	2,150
Share premium account		24,162	24,162
Profit and loss account		<u>(957)</u>	<u>(497)</u>
Shareholders' funds		<u>25,355</u>	<u>25,815</u>

The accompanying notes on pages 13 - 19 form an integral part of the financial statements.

These financial statements were approved by the board of directors on 31 March 2021 and were signed on its behalf by:

G.J. Schipper
Director

1 Bartholomew Lane
London
EC2N 2AX

Company registered number: 04721028

Statement of Changes in Equity

	Called up share capital £000	Share Premium Account £000	Profit and loss account £000	Total equity £000
Balance at 31 March 2018	2,150	24,162	(3,566)	22,746
Profit for the year	-	-	3,069	3,069
Total other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	3,069	3,069
Balance at 31 March 2019	2,150	24,162	(497)	25,815
	Called up share capital £000	Share Premium Account £000	Profit and loss account £000	Total equity £000
Balance at 31 March 2019	2,150	24,162	(497)	25,815
Loss for the year	-	-	(460)	(460)
Total other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(460)	(460)
Balance at 31 March 2020	2,150	24,162	(957)	25,355

The accompanying notes on pages 13 - 19 form an integral part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

HI (Reading South) Limited (the "Company") is a company incorporated and domiciled in England, United Kingdom. The Company is a private company limited by shares. The registered number is 04721028 and the registered address is 1 Bartholomew Lane, London, EC2N 2AX, United Kingdom.

Basis of Preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") as modified by the lease associated with the investment property being recognised as a finance lease.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The results of HI (Reading South) Limited are included in the consolidated financial statements of HICP Holdings Limited, which are available at the Companies House.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures in respect of capital management.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The principal accounting policies adopted by the Company are set out in note 1.

At 1 January 2019, the International Accounting Standards Board introduced a new accounting standard for lease accounting ("*IFRS 16*"). The essence of IFRS 16 is that leases must be recognised on the company's balance sheet. Management assessed the impact of IFRS 16 on the financial statements and concluded that there is no significant impact on the financial statements. Therefore, no adjustments in the financial statements are made.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 13.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investment property.

Notes (continued)

1.2 Going concern

On 11 March 2020, the World Health Organization declared the outbreak of Coronavirus COVID-19 a pandemic, due to its rapid spread throughout the world, having affected more than 110 countries at that time. Most global governments are taking restrictive measures to contain the spread of the virus, including: isolation, quarantine, restricting the free movement of people, closure of public and private premises (except those of basic necessity and health), closure of borders and a significant reduction in air, sea, rail and land transport.

The company is part of the group of companies headed by HIN JB Limited (the "wider Group") and its activities are that of an investment property holding company. As a result, the ability of the Company to continue as a going concern is based on the ability of the wider Group to continue as a going concern and to generate sufficient cash flows to repay its external loans.

The wider Group's ultimate parent is owned by a private equity group. The directors understand that the private equity owners are in the process of selling the wider Group. In making their going concern assessment the directors have considered the likely outcome for the wider Group were the private equity group to successfully sell its shareholding. Based on this indication, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, it is not possible to predict what would happen to the wider Group following a sale, in particular if the acquirer would continue to operate the Company or what the financing arrangements would be. In the unlikely event that the sale of the wider group does not complete, the wider group, including the Company, would likely enter administration.

These circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.3 Financial instruments

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

1.4 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value.

In applying the fair value model in IAS 40 Investment Property:

- i. investment properties are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and
- ii. no depreciation is provided in respect of investment properties applying the fair value model.

1.5 Impairment

The carrying amounts of the Company's financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes (continued)

1.6 Turnover

Rents received under operating leases are credited to the profit and loss account on a straight-line basis over the lease term.

1.7 Expenses

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method and unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.8 Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. For investment property that is measured at fair value deferred tax is provided at the rate applicable to the sale of the property except for that part of the property that is depreciable and the Company's business model is to consume substantially all of the value through use. In the latter case the tax rate applicable to income is used.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 Turnover

Turnover, which is stated in the profit and loss account net of value added tax, represents rent receivable from the investment property.

The turnover and profit before tax are attributable to one principal activity of the Company and all within the United Kingdom.

Rents received under operating leases in the year ended 31 March 2020 amounted to £887,000 (2019: £863,000).

3 Expenses and auditor's remuneration

Operating expenses for the year ended 31 March 2020 amount to £13,000 (2019: £15,000) of which £9,000 (2019: £11,000) were in relation to investment property generating net rental income. Auditor's remuneration for the year ended 31 March 2020 amount to £4,516 (2019: £4,000). The fees are paid and disclosed in the financial statements of the parent company, HICP Holdings Limited.

During the financial year, no persons were employed at the entity.

4 Directors' remuneration

In the current year the directors' remuneration, amounting to £nil for all entities within the HIN JB Limited Group, was borne by the Cerberus Group, the ultimate parent. During the year the Company's allocation of the directors' remuneration is immaterial.

5 Fair value movement on investment property

The fair value movement on investment property amounted to a decrease of £1,700,000 (2019: increase of £2,800,000). Refer to note 7 for more details regarding the valuation.

Notes (continued)

6 Taxation

Income tax recognised in the profit and loss account

	31 March 2020 £000	31 March 2019 £000
Current income tax	-	(89)
Deferred income tax	277	(490)
Current income tax previous years	89	-
Total current income tax credit	<u>366</u>	<u>(579)</u>

Reconciliation of effective tax rate

	31 March 2020 £000	31 March 2019 £000
Profit / (loss) for the year	(460)	3,069
Total tax expense	<u>366</u>	<u>(579)</u>
Profit / (loss) before taxation	<u>(826)</u>	<u>3,648</u>
Tax using the UK corporation tax rate of 19% (2019: 19%)	157	(693)
Non-taxable fair value movement investment property	(289)	56
Non-deductible interest expenses	-	-
Capital allowances	12	-
Group relief surrendered to affiliated company	<u>486</u>	<u>58</u>
Total tax credit	<u>366</u>	<u>(579)</u>

UK legislation requires, in broad terms, that most transactions between connected parties be at an arm's length price for tax purposes (commonly known as 'transfer pricing'). As a result, this company must make an adjustment for deemed net interest on intercompany balances that has not been recognised in the financial statements.

UK legislation was introduced in April 2017 to place restrictions on the amount of interest payable by a group of companies which can be deducted for tax purposes (the rules are known as the Corporate Interest Restriction 'CIR' rules).

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. In the 3 March 2021 budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Company's future tax charge. The deferred tax asset / (liability) at 31 March 2020 has been calculated at 19% (2019: 17%).

Notes (continued)

7 Investment property

	31 March 2020 £000
Balance at 31 March 2019	22,400
Fair value adjustments	<u>(1,700)</u>
Balance at 31 March 2020	<u>20,700</u>

Investment property

The Company applies the fair value model as provided in IAS 40. The property is given as a security to the external bank of its parent company HICP Holdings Limited.

Fair value

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment property portfolio every year.

All of the investment properties have been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

The Company's investment property comprises a total of one commercial property, situated in the United Kingdom, which is leased to an affiliated entity. In the last fiscal period the Company did not acquire or sell any properties which were classified as investment property.

The fair value of investment property has been determined in accordance with IFRS 13. IFRS 13.9 defined fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The above definition concurs with that of Market Value defined in the RICS Valuation – Professional Standards 8th Edition published by the Royal Institution of Chartered Surveyors and is also generally consistent with the definition of Fair Value as adopted by the International Accounting Standard Board (IASB).

The appraisals were performed by CBRE. The valuation report is issued on 20 November 2020, with valuation date 31 March 2020. CBRE is an accredited independent appraiser with a recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

In order to arrive at the fair value of the investment property, the external appraiser applied their market knowledge and professional judgement and not only relied on comparable historical transactions. The Company holds one class of investment property being commercial properties in the United Kingdom. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the appraisals performed by the independent appraisers for financial reporting purposes. Discussions of appraisal processes are held between CBRE and the Company. At each financial year end the finance department: (i) verifies all major inputs to the independent appraisals; (ii) assesses property valuation movements when compared to the prior year valuation report and/or (iii) holds discussions with the independent appraiser.

There are no current prices in an active market available for the investment properties being valued. Therefore the fair value measurement is based on a Discounted Cash Flow Model (DCF). The valuations were performed on an item by item basis and not on a portfolio basis. There were not any highest and best use valuations. CBRE used a discount rate of 9.5%.

Notes (continued)

Impact of Covid-19 on the valuation of the investment property

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a global pandemic on the 11th March 2020, is currently causing heightened volatility in both local and global market conditions. The valuation of the investment property is based on the information available at the date of the valuation report from CBRE.

CBRE included a market uncertainty explanatory note in the valuation report due to the outbreak of COVID-19. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. In the case of the investment property, as at the valuation date, CBRE continues to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant market evidence on which to base their judgements. The CBRE valuation is therefore reported as being subject to 'material valuation uncertainty'. Consequently, there is more subjectivity associated with the valuation of property than would normally be the case. According to the valuation report, this explanatory note does not mean that the valuation cannot be relied upon. Rather, it has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared.

For the income and expenses in relation to the investment property reference is made to note 2 and 3 where the rents received and direct operation expenses are disclosed. The value has decreased by £1,700,000 (2018: Increased £2,800,000).

8 Debtors: amounts falling due within one year

	31 March 2020 £000	31 March 2019 £000
Amount owed by fellow group undertakings	6,067	5,188
	<u>6,067</u>	<u>5,188</u>

The amount owed by fellow group undertakings concerns rental income that is received by the parent of the company. There is no repayment schedule related to this amount and no interest is charged to the parent with regards to this amount.

9 Creditors: amounts falling due within one year

	31 March 2020 £000	31 March 2019 £000
Trade creditors	(5)	(5)
Accruals and deferred income	(25)	(20)
Tax payable	-	(89)
	<u>(30)</u>	<u>(114)</u>

10 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	31 March 2020 £000	31 March 2019 £000
Tax liabilities	(1,382)	(1,659)
Net tax liabilities	<u>(1,382)</u>	<u>(1,659)</u>

The deferred tax is in relation to the temporary difference between the valuation of the investment property and the tax cost base including capital allowances.

Notes (continued)

11 Share capital

Allotted, called up and fully paid

	Ordinary shares Number
On issue at 31 March 2019	2,150,001
Issued during the year	-
On issue at 31 March 2020	<u>2,150,001</u>

All shares are ordinary shares and have a par value of £1. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

12 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of HICP Holdings Limited (located at 1 Bartholomew Lane, London, EC2N 2AX) which is the ultimate parent company incorporated in the UK. The ultimate controlling party is HIN JB Limited. Ultimately the Company is owned by investment funds affiliated with the Cerberus Group. The Company has taken advantage of the exemptions in FRS 101 Section 8 from disclosing transactions with other members of the Group.

The largest group in which the results of the Company are consolidated is that headed by HIN JB Limited, incorporated in Jersey. The smallest group in which they are consolidated is that headed by HICP Holdings Limited, incorporated in the UK. The consolidated financial statements of HICP Holdings Limited are available to the public.

13 Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances. Investment properties are held to earn rental income and for capital appreciation. Investment properties are stated at fair value and are determined by a third-party valuation.

14 Subsequent events

The COVID-19 pandemic has had a significant adverse impact on the value of the Company's asset(s). We are confident that the hotel management has taken all appropriate actions to protect value during this period of depressed demand and government imposed restrictions.

The Group's liquidity has also been adversely impacted. Following discussions with wider Group lenders, the Group entered a Cooperation Agreement with a view to sale of the Company's property as part of a wider portfolio.

Depending on the duration of COVID-19 crisis and continued negative impact on economic activity, the company may experience further negative results.

15 Change in significant accounting policies

At 1 January 2019, the International Accounting Standards Board introduced a new accounting standard for lease accounting ("IFRS 16"). The essence of IFRS 16 is that leases must be recognised on the company's balance sheet. Management assessed the impact of IFRS 16 on the financial statements and concluded that there is no significant impact on the financial statements. Therefore, no adjustments in the financial statements are made.