HI (London Gatwick) Limited

Directors' report and financial statements

Year ended 31 March 2023

Registered number: 04721762

HI (London Gatwick) Limited

Directors' report and financial statements

Contents | *Page*

HI (London Gatwick) Limited

Directors and other information

Directors	Jonathan Braidley Bhriz Holloway Christopher Kula
Secretary	Intertrust (UK) Limited
Registered office	St James House, 3rd Floor South Wing 27-43 Eastern Road Romford Essex RM1 3NH
Independent auditor	KPMG Chartered Accountants The Soloist Building 1 Lanyon Place Belfast BT1 3LP
Registered number	04721762

Directors' report

The directors present their annual report and financial statements for the year ended 31 March 2023.

Principal activity

The principal activities of the Company are the acquisition, management and sale of investment property in the United Kingdom. The Company holds a hotel property which is leased to a fellow group company as operator of the hotel. 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.

Business review

The Company derives its income from a lease of its hotel property to a fellow group Company.

The profit for the year, after taxation, is £3,418,000 *(2022: £2,103,000)*.

The investment property is held for capital appreciation. The value has increased during the year by £3,070,000 *(2022: £1,944,000)*.

The Company applies FRS 101 *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 and performance indicators

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

Turnover (continuing operations): £1,336,000 *(2022: £1,243,000)*
Profit for the financial year: £3,418,000 *(2022: £2,103,000)*
Valuation of the investment property £28,067,000 *(2022: £25,028,000)*

Directors

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

Jonathan Braidley
Bhriz Holloway
Christopher Kula

Dividends

No dividends were paid in the year *(2022: £Nil)*.

Principal risks and uncertainties

The Company is a subsidiary of HIN JB Limited (the 'wider Group'), and its activities are that of an investment holding property. As such, the principal risks and uncertainties of the Company are the same as those facing the wider Group.

Management of the Group's business and execution of the Group's strategy are subject to a number of risks. The key risks and uncertainties currently judged to have the greatest impact on the Group's performance include:

- Cost inflation and the effect on consumer spending power
- Employee retention
- Competition from other hotels
- Fluctuations in property valuations
- Other market risks – hotels may be adversely impacted by changes in or failure to comply with regulations. The hotels operate under franchise agreements which require adherence to quality standards and criteria.

Financial risk management

The Company's operations expose it to a variety of financial risks which include liquidity and credit risk. Working capital requirements are financed with borrowings from other Group companies. Credit risk is managed via a formal credit policy.

Liquidity strategy, capital management and treasury activities are co-ordinated centrally across the Group. Funding includes external cross-collateralised borrowings held in the name of HICP Holdings Limited, on behalf of, and secured by way of fixed charge over the assets of, the consolidated Group.

Given the size of the Company and wider Group, the directors have not delegated responsibility for monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Group's finance department.

Going concern

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 and other liabilities, driven by the cross-collateralisation of the wider Groups external facilities.

Since the easing of COVID-19 restrictions, the directors have noted a significant rebound in revenue, RevPAR and ADR during the year, and are on track for a full recovery post Covid, owing to the resurgence of both domestic and international inbound hotel demand. Furthermore, the directors believe the future outlook in the remaining period of 2023 and beyond is extremely positive due to the continued resurgence of large-scale events and strong programmes in the pipeline together with an increase in corporate demand and overseas travellers which will create further demand in the portfolio's key locations.

The directors have prepared cashflow forecasts reflecting their best estimate of trading activity for the cross-collateralised wider Group for the period up to September 2024, which indicate that the wider Group is expected to have sufficient funds available to meet all operating and debt service commitments over that period. The directors acknowledge that their forecasts and the related funding requirements include several critical assumptions and are, in particular, highly sensitive to assumptions about market demand.

The wider Group operates within a 5-year facility with its external lenders totalling £170,225,000. As part of these arrangements, the wider Group's external lenders have agreed to not test the covenants for the initial three years up to 15 August 2024. The ultimate shareholder, Marathon ECO IV SCA SICAV-RAIF has committed under the facility agreement to provide additional funding to support an agreed capital expenditure refurbishment programme.

The wider Group has received a letter of support from Bryant Park Hospitality SARL, its parent company, confirming it will continue to make available such funds as required by the wider Group to discharge its liabilities as they fall due in the normal course of business for a period of no less than 12 months from the date of signing the accounts and that they will not recall any amounts due to the extent to which such call for payment would put any company in the wider Group into such financial position that they are no longer able to discharge their liabilities as they fall due in the normal course of business.

As with any group placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

On this basis, the directors have a reasonable expectation that they will have adequate liquidity to allow the Company to continue their activities for a period of not less than 12 months from the date of approval of these financial statements. This is in part due to strong relationships with external debt providers and the ongoing support of its shareholder.

Having assessed these matters, the directors continue to have a reasonable expectation that the Company will have adequate liquidity to continue their activities for the foreseeable future and ensure all debts can be discharged as they fall due. Accordingly, they continue to adopt the going concern basis in preparing the Company financial statements.

HI (London Gatwick) Limited

Director's report *(continued)*

Financial instruments

The Company finances its activities through operating cash flow and a loan from a related party. 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 made no political donations nor incurred any political expenditure during the year *(2022: £Nil).*

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Small companies' exemption

In preparing the directors' report, the directors have taken the small companies' exemption under Section 414 (B) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2014 not to prepare a strategic report for presentation with these financial statements.

Auditor

KPMG were appointed auditor during the prior year.

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

On behalf of the board

C. A. Kula
Director

2 October 2023

St James House, 3rd Floor
South Wing
27-43 Eastern Road
Romford
Essex
RM1 3NH

HI (London Gatwick) Limited

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 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 year.

In preparing the 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;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 controls 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.

On behalf of the board

C. A. Kula
Director

2 October 2023

KPMG

KPMG

Audit
The Soloist Building
1 Lanyon Place
Belfast BT1 3LP
Northern Ireland

Independent auditor's report to the members of HI (London Gatwick) Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of HI (London Gatwick) Limited ("the Company") for the year ended 31 March 2023, set out on pages 10 to 22, which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the summary of significant accounting policies set out in note note 1.

The financial reporting framework that has been applied in their preparation is UK Law and FRS 101 *Reduced Disclosure Framework*.

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with FRS 101 *Reduced Disclosure Framework* issued by the UK's Financial Reporting Council; and
- the financial statements 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 ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

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 the date when the financial statements are authorised for issue.

KPMG

Report on the audit of the financial statements *(continued)*

Conclusions relating to going concern *(continued)*

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Detecting irregularities including fraud

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the directors. In addition, our risk assessment procedures included: inquiring with the directors as to the Company's policies and procedures regarding compliance with laws and regulations and prevention and detection of fraud; inquiring whether the directors have knowledge of any actual or suspected non-compliance with laws or regulations or alleged fraud; inspecting the Company's regulatory and legal correspondence; and reading Board minutes.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team.

The Company is subject to laws and regulations that directly affect the financial statements including companies and financial reporting legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

The Company is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the directors and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls. We identified a fraud risk in relation to the valuation of investment property. On this audit, we do not believe there is a fraud risk related to revenue recognition.

In response to risk of fraud, we also performed procedures including: identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation; assessing significant accounting estimates for bias; and assessing the disclosures in the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

KPMG

Independent auditor's report to the members of HI (London Gatwick) Limited *(continued)*

Report on the audit of the financial statements *(continued)*

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Opinions on other matters prescribed by the Companies Act 2006

Based solely on our work on the other information undertaken during the course of the audit:

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

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.

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for: the preparation of the financial statements including 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.

KPMG

Independent auditor's report to the members of HI (London Gatwick) Limited
(continued)

Respective responsibilities and restrictions on use *(continued)*

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, other irregularities or error, and to issue an opinion in an auditor's report. 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, other irregularities or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A 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

Our 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.

2 October 2023

Colm O'Sé ***(Senior Statutory Auditor)***
for and on behalf of KPMG, Statutory Auditor
The Soloist Building
1 Lanyon Place
Belfast
BT1 3LP

HI (London Gatwick) Limited

Profit and loss account and other comprehensive income
for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Turnover	2	**1,336**	1,243
Gross profit		**1,336**	1,243
Administrative expenses	3	**(49)**	(39)
Operating profit		**1,287**	1,204
Fair value movement on investment property	5	**3,070**	1,944
Interest payable and similar expenses	6	**(157)**	(157)
Profit before taxation		**4,200**	2,991
Tax on profit	7	**(782)**	(888)
Profit for the financial year		**3,418**	2,103

The Company had no other comprehensive income in the current or prior year other than that dealt within the profit and loss account, and accordingly, a statement of other comprehensive income has not been presented.

The notes on pages 13 to 22 form an integral part of the financial statements.

HI (London Gatwick) Limited

Balance sheet
as at 31 March 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Investment property	8	**28,067**	25,028
Current assets			
Debtors: amounts falling due within one year	9	**9,010**	7,849
Creditors: amounts falling due within one year	10	**(167)**	(167)
Net current assets		**8,843**	7,682
Total assets less current liabilities		**36,910**	32,710
Creditors: amounts falling due after more than one year			
Deferred tax liability	11	**(2,886)**	(2,104)
Lease liabilities	12	**(2,031)**	(2,031)
Net assets		**31,993**	28,575
Capital and reserves			
Called up share capital	13	**2,530**	2,530
Share premium account		**12,626**	12,626
Profit and loss account		**16,837**	13,419
Shareholders' funds		**31,993**	28,575

The notes on pages 13 to 22 form an integral part of the financial statements.

These financial statements were approved by the board of directors on 2 October 2023 and were signed on its behalf by:

C. A. Kula
Director

Registered number: 04721762

HI (London Gatwick) Limited

Statement of changes in equity
for the year ended 31 March 2023

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
Balance at 31 March 2021	2,530	12,626	11,316	26,472
Comprehensive income				
Profit for the year	-	-	2,103	2,103
Total comprehensive income for the year	-	-	2,103	2,103
Balance at 31 March 2022	2,530	12,626	13,419	28,575
Comprehensive income				
Profit for the year	-	-	3,418	3,418
Total comprehensive income for the year	-	-	3,418	3,418
Balance at 31 March 2023	**2,530**	**12,626**	**16,837**	**31,993**

The notes on pages 13 to 22 form an integral part of the financial statements.

HI (London Gatwick) Limited

Notes
forming part of the financial statements

1 Accounting policies

HI (London Gatwick) Limited ("the Company") is a company incorporated, domiciled and registered in the United Kingdom. The Company is a private company limited by shares. The registered number is 04721762 and the registered address is St James House, 3rd Floor, South Wing, 27-43 Eastern Road, Romford, Essex, RM1 3NH, United Kingdom.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

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 ("UK Adopted IFRS"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

These financial statements are presented in sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise stated.

The results of HI (London Gatwick) Limited are included in the consolidated financial statements of HICP Holdings Limited, which are available at 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; and
- 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.

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 15.

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.

Going concern

The Company's business activities, together with the factors likely to affect future development, performance and position are set out in the directors' report.

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 and other liabilities, driven by the cross-collateralisation of the wider Group's external facilities.

1 Accounting policies *(continued)*

Going concern *(continued)*

Since the easing of COVID-19 restrictions, the directors have noted a significant rebound in revenue, RevPAR and ADR during the year, and are on track for a full recovery post Covid, owing to the resurgence of both domestic and international inbound hotel demand. Furthermore, the directors believe the future outlook in the remaining period of 2023 and beyond is extremely positive due to the continued resurgence of large-scale events and strong programmes in the pipeline together with an increase in corporate demand and overseas travellers which will create further demand in the portfolio's key locations.

The directors have prepared cashflow forecasts reflecting their best estimate of trading activity for the cross-collateralised wider Group for the period up to September 2024, which indicate that the wider Group is expected to have sufficient funds available to meet all operating and debt service commitments over that period. The directors acknowledge that their forecasts and the related funding requirements include several critical assumptions and are, in particular, highly sensitive to assumptions about market demand.

The wider Group operates within a 5-year facility with its external lenders totalling £170,225,000. As part of these arrangements, the wider Group's external lenders have agreed to not test the covenants for the initial three years up to 15 August 2024. The ultimate shareholder, Marathon ECO IV SCA SICAV-RAIF has committed under the facility agreement to provide additional funding to support an agreed capital expenditure refurbishment programme.

The wider Group has received a letter of support from Bryant Park Hospitality SARL, its parent company, confirming it will continue to make available such funds as required by the wider Group to discharge its liabilities as they fall due in the normal course of business for a period of no less than 12 months from the date of signing the accounts and that they will not recall any amounts due to the extent to which such call for payment would put any company in the wider Group into such financial position that they are no longer able to discharge their liabilities as they fall due in the normal course of business.

As with any group placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

On this basis, the directors have a reasonable expectation that they will have adequate liquidity to allow the Company to continue their activities for a period of not less than 12 months from the date of approval of these financial statements. This is in part due to strong relationships with external debt providers and the ongoing support of its shareholder.

Having assessed these matters, the directors continue to have a reasonable expectation that the Company will have adequate liquidity to continue their activities for the foreseeable future and ensure all debts can be discharged as they fall due. Accordingly, they continue to adopt the going concern basis in preparing the Company financial statements.

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.

1 Accounting policies *(continued)*

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.

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. Rental income from investment property is accounted for as described in the turnover accounting policy.

ii. no depreciation is provided in respect of investment properties applying the fair value model.

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.

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently presented as investment property and accounted for as such.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

1 Accounting policies *(continued)*

Leases *(continued)*

As a lessee *(continued)*

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term within 'turnover'.

Turnover

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

Expenses

Interest payable and similar charges include interest payable, on finance leases recognised in profit or loss using the effective interest method and unwinding of the discount on provisions.

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

Notes *(continued)*

1 Accounting policies *(continued)*

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 2023 amounted to £1,336,000 *(2022: £1,243,000)*.

3 Expenses and auditor's remuneration

Operating expenses for the year ended 31 March 2023 amounted to £49,000 *(2022: £39,000)*.

Auditor's remuneration for the year ended 31 March 2023 amounted to £9,000 *(2022: £8,000)*. These fees are paid and disclosed in the financial statements of the parent company, HICP Holdings Limited.

4 Staff numbers, costs and directors' remuneration

The Company had no employees during the year *(2022: £Nil)*.

The directors did not receive any emoluments for services provided to the Company during the year *(2022: £Nil)*.

5 Fair value movement on investment property

The fair value movement on investment property amounted to an increase of £3,070,000 *(2022: £1,944,000)*. Refer to note 8 for more details regarding the valuation.

6 Interest payable and similar expenses

	2023 £'000	2022 £'000
Interest expense on lease liabilities	**157**	157
	157	157

7 Taxation

	2023 £'000	2022 £'000
Income tax recognised in the profit and loss account		
Current tax	-	-
Deferred tax	**782**	888
Total tax charge/(credit)	**782**	888

Reconciliation of effective tax rate	2023 £'000	2022 £'000
Profit for the year	**3,418**	2,103
Total tax charge	**782**	888
Profit before taxation	**4,200**	2,991
Tax using the UK corporation tax rate of 19% *(2022: 19%)*	**798**	568
Non-taxable income	**(583)**	-
Deferred tax on investment property	**768**	-
Impact of change in tax rates	**3**	505
Group relief received	**(204)**	(185)
Total tax charge	**782**	888

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted in Finance Act 2021. This will increase the Company's future current tax charge accordingly.

Notes *(continued)*

8 Investment property

	2023 £'000	2022 £'000
At 1 April	**25,028**	23,115
Fair value adjustments	**3,070**	1,944
Depreciation – Financial lease	**(31)**	(31)
Balance at 31 March	**28,067**	25,028

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.

Measurement of fair values

The fair value of investment property at 31 March 2023 reflects the results of a valuation exercise carried out by an independent external valuer, CBRE, whom the directors regard as having a recognised professional qualification and recent experience in the location and type of property being valued. The external valuation was performed in accordance with the Royal Institute of Chartered Surveyors (RICS) valuation standards. The valuation report was issued on 27 July 2023, with valuation date 30 June 2023. The directors have considered market movements between the valuation date and the reporting date and determined that there was no material movement in that 3-month period. Consequently, they regard the valuation as being appropriate. A similar valuation was undertaken by CBRE in the prior year.

The Company's investment property comprises a total of one hotel 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 valuation technique adopted is discounted cash flow, which reflects the full operating cashflows of the hotel as a fully equipped operating business. While the property is currently leased to a fellow group company, the directors are satisfied that this approach is appropriate having regard to the provisions of the lease and the controlling relationships. Under this model, the present value of cash flows expected to be generated by the property over a 10-year period is calculated, taking into account projected net operating income and capital expenditure over that period, together with an assumed terminal value and associated disposal costs at the end of the period. The expected cash flows are discounted using a risk adjusted discount rate, reflective of the property, its quality and location. A discount rate of 10.75% *(2022: 10.5%)* was used for this purpose.

The directors consider the investment property to fall within the Level 3 fair value category under IFRS 13 based on the inputs to the valuation technique used. Significant unobservable inputs include forecast net operating income, terminal value and costs, discount and capitalisation rates.

9 Debtors: amounts falling due within one year

	2023 £'000	2022 £'000
Amount owed by fellow group undertakings	**9,010**	7,849
	9,010	7,849

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 in regard to this amount.

Notes *(continued)*

10 Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Accruals and deferred income	**9**	8
Lease liabilities	**158**	159
	167	167

11 Deferred tax

	2023 £'000	2022 £'000
Tax liabilities	**2,886**	2,104
Net tax liabilities	**2,886**	2,104

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

12 Leases

The Company recognises a lease liability in relation to ground rents associated with the leasehold property. The related right-of-use asset is presented within investment property (note 8).

Lease liabilities are presented in sterling, incur interest at a rate of 7.16% and have a maturity date of 31 October 2085.

The following amounts have been recognised in profit or loss for which the Company is a lessee:

	2023 £'000	2022 £'000
Interest expense on lease liabilities	**157**	157

12 Leases *(continued)*

Lease liabilities are payable as follows:

	2023			2022		
	Principal £'000	**Interest £'000**	**Minimum lease payment £'000**	Principal £'000	Interest £'000	Minimum lease payment £'000
Within one year	**2**	**157**	**159**	2	157	159
In second to fifth years inclusive	**10**	**625**	**635**	8	627	635
More than five years	**2,177**	**6,966**	**9,143**	2,180	7,121	9,301
	2,189	**7,748**	**9,937**	2,190	7,905	10,095
Less future finance costs			**(7,748)**			(7,905)
Present value of lease obligations			**2,189**			2,190
Due within one year			**158**			159
Due after more than one year			**2,031**			2,031
			2,189			2,190

Leases as a lessor

Operating leases

The Company's investment property is leased to a fellow group company, HICP Limited, as operator of the hotel. During the year £1,336,000 *(2022: £1,243,000)* was recognised as rental income by the Company.

The following table sets out a maturity analysis of lease payments to be received, showing the undiscounted lease payments to be received after the reporting date:

Operating leases	**2023 £'000**	2022 £'000
Less than one year	**1,515**	1,336
Between one and two years	**1,515**	1,336
Between two and three years	**1,515**	1,336
Between three and four years	**1,515**	1,336
Between four and five years	**1,515**	1,336
More than five years	**10,608**	10,691
	18,183	17,371

Notes *(continued)*

13 Share capital

	Ordinary shares Number	Ordinary shares £'000
Allotted, called up and fully paid		
In issue at 31 March 2022	2,530,001	2,530
Issued during the year	-	-
In issue at 31 March 2023	**2,530,001**	**2,530**

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.

14 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of HICP Holdings Limited (located at St James House, 3rd Floor South Wing, 27-43 Eastern Road, Romford, Essex, RM1 3NH, United Kingdom) which is the ultimate parent company incorporated in the UK. The ultimate controlling party is HIN JB Limited. Ultimately the Company is now owned by investment funds affiliated with the Marathon 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 and may be obtained from Companies House.

15 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.

16 Subsequent events

There are no significant subsequent events requiring adjustment to, or disclosure in, the financial statements for the year ended 31 March 2023.