

Horizon Hotel Investments Limited

Report and Financial Statements

For the year ended 31 December 2012

Company Number SC283164

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Horizon Hotel Investments Limited
Report and Financial Statements

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Horizon Hotel Investments Limited
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Company Information

Board of Directors	P S Dickson J J Green A W J Wilson
Company Secretary	Lloyds Secretaries Limited
Registered office	Level 1 Citymark 150 Fountainbridge Edinburgh EH3 9PE
Independent Auditors	PricewaterhouseCoopers LLP Erskine House 68-73 Queen Street Edinburgh EH2 4NH
Bankers	Lloyds TSB Bank plc 25 Gresham Street London EC2V 7HN Bank of Scotland plc The Mound Edinburgh EH1 1YZ
Company Number	SC283164

Horizon Hotel Investments Limited
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Directors' Report

The Directors are pleased to present their report and audited financial statements for Horizon Hotel Investments Limited ('the Company') for the year ended 31 December 2012. The Company is a limited company both incorporated and domiciled in Scotland.

Principal activity and review of the business

The Company operates as a property investment company, investing specifically in hotels. There have been no property transactions in the current year.

Results and dividends

Net loss for the Company for the year ended 31 December 2012 was £439,989 (2011: profit £221,261). No dividends were paid during the year (2011: £nil).

Financial instruments

The financial risk management objectives and policies of the Company and the exposure to market risk, credit risk and liquidity risk are covered in Note 17 to the financial statements.

Going concern

As set out in note 3 of the financial statements, the Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the financial statements.

Directors and their interests

The Directors of the company who were in office at the date of signing the financial statements and this report are as stated on page 3.

Dates of resignation during the year and up to the date of this report were as follows:

Director	Date of Appointment	Date of Resignation
P R Harries	-	29 June 2012
K M Bothwell	-	2 July 2012
J A Pearce	-	16 August 2013
A W J Wilson	2 July 2012	-
P S Dickson	2 July 2012	-
J J Green	2 July 2012	-

Company Secretary

The Company Secretary at the date of this report is as stated on page 3.

Dates of appointment and resignation during the year and up to the date of this report were as follows:

Company Secretary	Date of Appointment	Date of Resignation
L J Edwards	-	2 July 2012
Lloyds Secretaries Ltd	2 July 2012	-

Horizon Hotel Investments Limited
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Directors' Report (continued)

Independent Auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the next meeting.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). 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;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union, and IFRSs as issued by the International Accounting Standards Board (IASB), have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

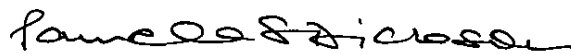
They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to independent auditors:

In the case of each of the persons who are Directors of the Company at the time when this report was approved, the following applies:

So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware. Each of the Directors have taken all the steps that ought to have been taken as a Director of the Company in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Signed on behalf of Horizon Hotel Investments Limited:



P S Dickson
Director
27 September 2013

Horizon Hotel Investments Limited
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Independent Auditors' Report to the Members of Horizon Hotel Investments Limited

We have audited the financial statements of Horizon Hotel Investments Limited for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flow, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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.



Gillian McCort (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
27 September 2013

Horizon Hotel Investments Limited
Report and Financial Statements

Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	2012	2011
		£	£
Gross rental income	4	263,489	525,869
Property operating expenses	5	<u>(2,438)</u>	<u>(1,000)</u>
Net rental and related income		261,051	524,869
Valuation loss on investment property	12	(601,833)	(155,223)
Other income		-	31,004
Other operating expenses	6	<u>(38,194)</u>	<u>(45,775)</u>
Net other expense		(640,027)	(169,994)
Operating (loss)/profit before financing costs		(378,976)	354,875
Financial income	7	-	390
Financial expense	7	<u>(76,179)</u>	<u>(75,789)</u>
Net finance costs		(76,179)	(75,399)
(Loss)/profit before tax		<u>(455,155)</u>	<u>279,476</u>
Income tax credit/(charge)	8	<u>15,166</u>	<u>(58,215)</u>
(Loss)/profit after tax		<u>(439,989)</u>	<u>221,261</u>

There are no other items of comprehensive income other than those shown above. Accordingly the loss/profit for the year is the same as the total comprehensive loss/profit for the year.

The accompanying notes on pages 11 to 20 form part of these financial statements.

Horizon Hotel Investments Limited
Report and Financial Statements

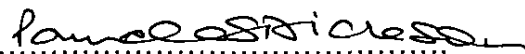
Statement of Financial Position

As at 31 December 2012

	Note	2012 £	2011 £
Assets			
Investment property	12	7,860,000	8,350,000
Total non-current assets		<u>7,860,000</u>	<u>8,350,000</u>
Trade and other receivables	11	32,715	409,497
Cash and cash equivalents	16	-	84,580
Total current assets		<u>32,715</u>	<u>494,077</u>
Total assets		<u>7,892,715</u>	<u>8,844,077</u>
Equity and Liabilities			
Equity			
Issued capital	13	100	100
Accumulated losses		(7,700,292)	(7,260,303)
Total equity		<u>(7,700,192)</u>	<u>(7,260,203)</u>
Liabilities			
Deferred tax	10	516,219	450,356
Total non-current liabilities		<u>516,219</u>	<u>450,356</u>
Amounts due to fellow subsidiary undertaking	19	14,975,367	15,233,134
Trade and other payables	14	65,365	37,535
Current tax liability	9	35,956	383,255
Total current liabilities		<u>15,076,688</u>	<u>15,653,924</u>
Total liabilities		<u>15,592,907</u>	<u>16,104,280</u>
Total equity and liabilities		<u>7,892,715</u>	<u>8,844,077</u>

Company Number: SC283164

The financial statements on pages 7 to 20 were approved by the Board of Directors at a meeting on 23 September 2013 and signed on its behalf by:



P S Dickson

Director

27 SEPTEMBER 2013

The accompanying notes on pages 11 to 20 form part of these financial statements.

Horizon Hotel Investments Limited
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Statement of Changes in Equity

For the year ended 31 December 2012

	Issued Capital £	Accumulated Losses £	Total £
Balance at 1 January 2012	100	(7,260,303)	(7,260,203)
Loss after taxation	-	(439,989)	(439,989)
Balance at 31 December 2012	<u>100</u>	<u>(7,700,292)</u>	<u>(7,700,192)</u>

For the year ended 31 December 2011

	Issued Capital £	Accumulated Losses £	Total £
Balance at 1 January 2011	100	(7,481,564)	(7,481,464)
Profit after taxation	-	221,261	221,261
Balance at 31 December 2011	<u>100</u>	<u>(7,260,303)</u>	<u>(7,260,203)</u>

The accompanying notes on pages 11 to 20 form part of these financial statements.

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Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 £	2011 £
Cash flows from operating activities			
Operating (loss) / profit		(378,976)	354,875
Fair value adjustment of investment property		601,833	155,223
Adjusted operating profit		<u>222,857</u>	<u>510,098</u>
Decrease/(increase) in trade and other receivables		376,782	(385,882)
Increase/(decrease) in trade and other payables		27,830	(147,541)
(Decrease)/increase in 'other liabilities'		(266,270)	-
Cash generated from/(used in) operations		<u>138,342</u>	<u>(533,423)</u>
Net cash from/(used in) operating activities		<u>361,198</u>	<u>(23,325)</u>
Cash flows from investing activities			
Interest received		-	390
Capital Expenditure		(111,832)	(105,223)
Net cash used in investing activities		<u>(111,832)</u>	<u>(104,833)</u>
Cash flows from financing activities			
(Decrease)/increase in borrowings due to fellow subsidiary undertaking		(257,768)	282,883
Interest paid		(76,179)	(75,789)
Net cash (used in) / from financing activities		<u>(333,947)</u>	<u>207,094</u>
Net (decrease)/increase in cash and cash equivalents		(84,580)	78,936
Cash and cash equivalents at beginning of year		84,580	5,644
Cash and cash equivalents at 31 December	16	<u>-</u>	<u>84,580</u>

The accompanying notes on pages 11 to 20 form part of these financial statements.

Notes to the financial statements

1. Basis of preparation

The financial statements have been prepared in accordance with:

(1) the International Accounting Standards ("IASs") and International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and the Standards and Interpretations ("SICs") and International Financial Reporting Interpretations ("IFRICs") issued by its International Financial Reporting Interpretations Committee, as endorsed by the European Union; and

(2) those parts of the Companies Act 2006 applicable to companies reporting under IFRSs.

The financial statements have been prepared on the historical cost basis, and under the going concern principle on the basis that the Company has sufficient resources from its immediate parent undertaking should it require to meet its liabilities.

Standards and amendments to existing standards effective 1 January 2012

The following standards, amendments to and interpretations of published standards have been issued and are relevant to the Company's operations:

- Amendment to IAS 12, 'Income taxes' on deferred tax (effective 1 January 2012).

Standards and interpretations in issue but not adopted early

The following standards and amendments to published standards are optional for the current accounting period beginning on 1 January 2012 but the Company has not elected to adopt early:

- IFRS 13, 'Fair value measurement' (effective 1 January 2013)
- Amendment to IFRS 7, 'Financial instruments: Disclosures' (effective 1 January 2013)
- Amendment to IAS 1, 'Presentation of financial statements' on OCI (effective 1 July 2012)
- Amendments to IFRS 7 on Financial instruments asset and liability offsetting (effective 1 January 2013)
- Amendments to IAS 32 on Financial instruments asset and liability offsetting (effective 1 January 2014)

Standards and interpretations in issue but not relevant

There are no other standards and amendments to published standards that are mandatory for the current accounting period beginning on 1 January 2012 that are relevant to the Company.

The Directors of the Company anticipate that the adoption of these standards and interpretations in future periods will have no material financial impact on the financial statements.

Notes to the financial statements (continued)

2. Summary of significant accounting policies

The Company has identified the accounting policies that are the most significant to its business operations and the understanding of its results. The principal accounting policies adopted in these financial statements were applied consistently throughout the years presented, unless otherwise stated.

The significant accounting policies adopted in the preparation of the financial statements are set out below:

(a) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Company's results and financial position, are discussed below.

Critical accounting estimates and assumptions

There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Critical judgements in applying the entity's accounting policies

i) Deferred tax

The recognition of deferred tax assets requires management judgement in determining the extent and amount which should be recognised. Estimates of future taxable income/profits are made and management judgement is exercised as to whether these estimates indicate if the deferred tax asset can be recovered and when.

(b) Revenue and expense

Rental income from investment property leased out under operating lease is recognised in the income statement as it falls due for payment. The Company leases out its investment properties on an operating lease which is terminable by the Company providing three month's notice to the tenant.

All other income and expenditure is recognised on an accruals basis.

(c) Investment properties

Investment properties, which are defined as properties which are held either to earn rental income or for capital appreciation or both, are initially recognised at cost and are fair valued at least annually. The fair value is taken to be the Market Value as defined in the Appraisal and Valuation Standards Manual issued by the Royal Institution of Chartered Surveyors ("RICS") of the United Kingdom. Any gains or losses arising from a change in the fair value are recognised in the Statement of Comprehensive Income in the period that they occur. Investment properties are not depreciated.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(d) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

(e) Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short term cash commitments rather than investing or other purposes. Cash and cash equivalents consist of cash balances at banks that are freely available.

(f) Impairment

The carrying amounts of the Company's assets, and deferred tax assets, are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

(i) Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. In respect of other assets, 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.

(g) Trade and other payables

Trade and other payables are stated at cost.

(h) Net finance costs

Net finance costs relate to interest income and interest payable on borrowings and are recognised in the Statement of Comprehensive Income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently.

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Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(h) Net Finance costs (continued)

Interest income and interest payable presented in the Statement of Comprehensive Income include interest on financial assets/liabilities at amortised cost on an effective interest rate basis.

(i) Taxation

Current income tax which is payable/receivable on taxable profits/losses is recognised as an expense/credit in the period in which the profits/losses arise. The current income tax charge/income is calculated on the basis of the tax laws enacted or substantively enacted at the Statement of Financial Position date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the Statement of Financial Position date, which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effects of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred and current tax assets and liabilities are offset when they arise in the same tax reporting group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. Going concern – Principles underlying going concern assumption

The Company is reliant on funding provided by Bank of Scotland plc. Notwithstanding the improvement in market liquidity during 2012, the Company's ultimate parent company, Lloyds Banking Group plc, continues to be reliant on UK Government sponsored measures to maintain its wholesale funding position. The Directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries including the Company will continue to receive funding in the future and, accordingly, the financial statements have been prepared on a going concern basis.

4. Gross rental income

	2012	2011
	£	£
Gross lease receivables	<u>263,488</u>	<u>525,869</u>

5. Property operating expenses

	2012	2011
	£	£
Rent payable	1,086	1,000
Marketing costs	802	-
Consultancy Fees	550	-
	<u>2,438</u>	<u>1,000</u>

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Notes to the financial statements (continued)

6. Other operating expenses

	2012	2011
	£	£
Insurance	23,694	18,301
Professional fees	13,000	25,974
Audit fees	1,500	1,500
	<u>38,194</u>	<u>45,775</u>

The auditors received no fees in respect of non-audit services to the Company (2011: £nil).

The Company had no employees during the year (2011: none).

7. Net finance costs

	2012	2011
	£	£
Other Interest	-	388
Bank Interest	-	2
Financial income	-	390
Financial expense	<u>(76,179)</u>	<u>(75,789)</u>
Net finance costs	<u>(76,179)</u>	<u>(75,399)</u>

8. Income tax charge

Recognised in the Statement of Comprehensive Income

	2012	2011
	£	£
Current tax recoverable		
Current year charge	81,029	(116,985)
Deferred tax change in tax rate	<u>(65,863)</u>	<u>58,770</u>
Total income tax charge in Statement of Comprehensive Income	<u>15,166</u>	<u>(58,215)</u>

Reconciliation of effective tax rate

	2012	2011
	£	£
(Loss)/profit on ordinary activities before tax	<u>(455,155)</u>	<u>279,476</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5(2011: 26.5%)	111,513	(74,061)
Expenses not deductible for tax purposes	(266)	(25,677)
Impact of change in tax rate	44,889	36,450
Other	-	5,073
PY Adjustment	<u>6,479</u>	-
Tax losses where no deferred tax recognised	<u>(147,449)</u>	-
Total income tax charge in Statement of Comprehensive Income	<u>15,166</u>	<u>(58,215)</u>

Notes to the financial statements (continued)

9. Current tax asset and liability

The current tax liability of £35,956 (2011: £383,255) represents the amount of income taxes payable in respect of the current and prior years. The Company is subject to the UK current rate of Corporation Tax.

On 21 March 2012, the Government announced that the main rate of corporation tax will be reduced from 26% to 24% with effect from 1 April 2012. The reduction was enacted under the Provisional Collection of Taxes Act 1968 on 26 March 2012. In addition, the Finance Act 2012, which passed into law on 3 July 2012, included legislation to reduce the main rate of corporation tax from 24% to 23% with effect from 1 April 2013.

On 5 December 2012, the Government announced a further reduction in the main rate of corporation tax to 21% from 1 April 2014. In addition, on 20 March 2013 the Government announced a further reduction in the main rate of corporation tax to 20% from 1 April 2015..

10. Deferred tax liability

Recognised deferred tax liability

Deferred tax liability is attributable to the following:

	2012	2011
	£	£
Capital allowances	<u>516,219</u>	<u>450,356</u>

Movement in temporary differences in the year

	2012	2011
	£	£
Balance at 1 January	450,356	509,126
Recognised in income	110,752	(22,320)
Change in tax rate - income	<u>(44,889)</u>	<u>(36,450)</u>
Balance at 31 December	<u>516,219</u>	<u>450,356</u>

Deferred tax assets have not been recognised in respect of capital losses carried forward as there are no predicted future capital profits. Capital losses can be carried forward indefinitely.

11. Trade and other receivables

	2012	2011
	£	£
Trade receivables and prepayments	<u>32,715</u>	<u>409,497</u>

12. Investment property

	2012	2011
Completed Property	£	£
Balance at 1 January	8,350,000	8,400,000
Additions	111,833	105,223
Fair value adjustment	<u>(601,833)</u>	<u>(155,223)</u>
Balance at 31 December	<u>7,860,000</u>	<u>8,350,000</u>

The investment property was re-valued by a RICS registered independent appraiser having the relevant experience in the location and category of the property being valued. The valuations were carried out in compliance with the Practice Statements contained within the RICS Appraisal and Valuation Standards Manual.

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Notes to the financial statements (continued)

13. Capital and reserves

The distributable reserves of the Company are managed through the Group Capital and Funding Policy in order to maximise capital efficiency within the Group. Dividends are paid from reserves available for distribution to the parent undertaking twice a year according to parameters set out at a Group level so as to avoid any build up of reserve balances within the Company.

Share capital	Ordinary shares	
	2012	2011
	£	£
Authorised		
1,000 Ordinary Shares of £1 each	1,000	1,000
Issued		
100 Ordinary Shares of £1 each	100	100

The holder of the ordinary shares is entitled to receive dividends as declared from time to time and is entitled to vote at meetings of the Company.

14. Trade and other payables

	2012	2011
	£	£
Other trade payables	55,365	36,035
Non-trade payables and accrued expenses	10,000	1,500
	65,365	37,535

15. Operating leases

The Company leases out its investment properties on an operating lease which is terminable by the Company providing one month's notice to the tenant. The rental income relates to rent due to the Company under the operating lease.

16. Cash and cash equivalents

	2012	2011
	£	£
Bank balances	-	84,580
Cash and cash equivalents in the Statement of Cash Flows	-	84,580

Notes to the financial statements (continued)

17. Financial instruments

The Company's financial instruments comprise receivable and payables that arise directly from its operations. There are no classes of business which require separate disclosure.

a) Governance framework

The Company's immediate parent is Horizon Capital 2000 Limited with an intermediate parent of Bank of Scotland plc ("BOS") whose ultimate parent is Lloyds Banking Group plc. BOS has established a financial risk management function with clear terms of reference and with the responsibility for implementing the Lloyds Banking Group framework and monitoring the policies on financial risks.

The risks related to the Company's activities are regularly evaluated.

The key financial risks relevant to the Company are credit risk, market risk, interest rate risk and liquidity risk.

b) Financial risks

i) Credit risk

Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due. All amounts relate to entities which are subsidiaries of the same ultimate parent company and therefore credit risk is not deemed to be significant.

The table below sets out the maximum exposure to credit risk at the Balance Sheet date.

	2012	2011
	£	£
Cash and cash equivalents	-	84,580
	-	84,580

Cash and cash equivalents are carried at amortised cost, whereby any indication of impairment would result in an immediate write-down of the carrying value. These instruments consist of bank balances placed with the Group and at the reporting date none of these balances were considered past due or impaired, neither were there any financial assets that would otherwise be past due or impaired had their terms not been renegotiated.

ii) Market risk

Market risk is defined as the potential loss in value or earnings of the Company arising from fair value changes in the values of assets and liabilities from fluctuations in market prices, interest rates or foreign exchange rates.

At the reporting date the Company's only exposure to market risk arose from interest rate risk, as all transactions and balances were denominated in Sterling and no equity share investments were held.

Notes to the financial statements (continued)

17. Financial instruments (continued)

b) Financial risks

iii) Interest rate risk

Interest rate risk exists where the Company's financial assets and liabilities have interest rates set under different bases, or which reset at different times.

The Company's cash and cash equivalent balances generate variable interest income and arise from the reinvestment of surplus liquid funds. The financial liabilities comprise fixed rate borrowings provided by another Group company and they are used to finance the Company's inventories.

As at the 31 December 2012 the fund held £nil (2011: £84,580) in a Lloyds Bank account. The account does not pay interest and therefore interest rate risk is not deemed to be significant.

iv) Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows relating to assets, liabilities and off-Balance Sheet instruments.

The Company's short term liquidity requirements are supported by a facility with another Group company subject to internal limits. Overall liquidity risk is managed in line with the Lloyds Banking Group High Level Group Liquidity and Funding Policy.

Lloyds Banking Group plc manages its liquidity risk within the risk appetite as defined by its Board and to ensure that it can in all circumstances meet its obligations as they fall due.

All funding is provided by the Group and the table below sets out the cash flows payable by the Company in respect of financial liabilities, by remaining contractual undiscounted repayments of principal and interest at the Statement of Financial Position date.

As at 31 December 2012

Maturity of contractual liabilities	Up to 1 month	1-3 months	3-12 months	Total
	£	£	£	£
Amounts due to fellow subsidiary undertaking	14,975,367	-		14,975,367
Current tax liability	-	-	116,985	116,985
Trade and other payables	-	65,365	-	65,365
Total liabilities	14,975,367	65,365	116,985	15,157,717

As at 31 December 2011

Maturity of contractual liabilities	Up to 1 month	1-3 months	3-12 months	Total
	£	£	£	£
Amounts due to fellow subsidiary undertaking	15,233,134	-	-	15,233,134
Current tax liability	-	-	383,255	383,255
Trade and other payables	-	37,535	-	37,535
Total liabilities	15,233,134	37,535	383,255	15,653,924

Notes to the financial statements (continued)

18. Parent undertakings

The Company's immediate parent company was Horizon Capital 2000 Ltd.

The company regarded by the Directors as the ultimate parent undertaking and controlling party is Lloyds Banking Group plc which is incorporated in Scotland. Lloyds Banking Group plc will produce consolidated financial statements for the year ended 31 December 2012. Copies of the annual report and financial statements of Lloyds Banking Group plc for the year ended 31 December 2012 may be obtained from Lloyds Banking Group's office at The Mound, Edinburgh, EH1 1YZ.

19. Related parties

The Company has a related party relationship with its intermediate parent company Bank of Scotland plc. A number of banking transactions are entered into with Bank of Scotland plc in the normal course of business, including loans and deposits. As at the 31 December 2012 the Company had £nil (2011: £nil) on deposit in a corporate current account. During the year to 31 December 2012 the Company had received £nil (2011: £2) of interest from this account.

The Company has a related party relationship with its ultimate parent Lloyds Banking Group plc. A number of banking transactions are entered into with Lloyds Banking Group plc in the normal course of business including loans and deposits. As at the 31 December 2012 the Company had £nil (2011: £84,580) on deposit in a corporate current account. During the year to 31 December 2012 the Company had received no interest from this account (2011: £nil).

The Company also has a related party relationship with its fellow subsidiary undertaking Horizon Resources Limited. This relationship has arisen due to the provision of funding to the Company. For the year ended 31 December 2012 £76,179 (2011: £75,789) was payable in respect of intercompany loan interest. As at the 31 December 2012 a total of £14,975,367 (2011: £15,233,134) was payable to Horizon Resources Ltd by the Company.

The emoluments of the Directors are paid by a fellow group undertaking on behalf of the ultimate parent, Lloyds Banking Group plc, which makes no recharge to the Company.

The Directors are also directors of a number of other subsidiaries of Lloyds Banking Group plc and are also substantially engaged in the managing of their respective business areas within the Commercial Division of Lloyds Banking Group plc. Given this, it is not possible to make an accurate apportionment of Directors' emoluments in respect of the services to each of the subsidiaries. Accordingly, these financial statements include no emoluments in respect of the Directors. The total emoluments of the Directors are included in the financial statements of the ultimate parent company, Lloyds Banking Group plc.

20. Post balance sheet event

On the 22 January 2013, the Company sold the Kegworth Hotel to an unrelated third party for £1,210,000. This is equal to the fair value of the asset within the Statement of Financial Position within these financial statements.