

Horizon Hotel Investments Limited

Report and Financial Statements

For the year ended 31 December 2013

Company Number SC283164

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Horizon Hotel Investments Limited
Report and Financial Statements

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Company Information

Board of Directors	P S Dickson
Company Secretary	Lloyds Secretaries Limited
Registered office	Level 1 Citymark 150 Fountainbridge Edinburgh EH3 9PE
Independent Auditors	PricewaterhouseCoopers LLP Atria One 144 Morrison Street Edinburgh EH3 8EX
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

Report and Financial Statements

Director's Report

The Director is pleased to present her report and audited financial statements for Horizon Hotel Investments Limited ('the Company') for the year ended 31 December 2013. The Company is a limited company both incorporated and domiciled in the United Kingdom.

Principal activities and review of the business

The Company operates as a property investment company, investing specifically in hotels. During the current year the Company disposed of two of its properties and have only one hotel property left in the portfolio.

Results and dividends

Net loss for the Company for the year ended 31 December 2013 was £870,104 (2012: £439,989). No dividends were paid during the year (2012: £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 Director is 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 Director of the company who was in office at the date of signing the financial statements and this report are as stated on page 3.

Date of resignation during the year and up to the date of this report was as follows:

Director	Date of Appointment	Date of Resignation
J A Pearce	-	16 th August 2013
J J Green	-	30 th June 2014
A W J Wilson	-	30 th June 2014

Directors' indemnities

Lloyds Banking Group plc has granted to the Directors of the Company, including former directors who retired during the year, a deed of indemnity through deed poll which constituted 'third party indemnity provisions' and 'qualifying pension scheme indemnity provisions' for the purposes of the Companies Act 2006. The deeds were in force during the whole of the financial year or from the date of appointment in respect of the Director who joined the Board of the Company during the financial year. Directors no longer in office but who served on the Board of the Company at any time in the financial year had the benefit of this contract of indemnity during that period of service. The indemnities remain in force for the duration of a Director's period of office. The deeds indemnify the Directors to the maximum extent permitted by law. Deeds for existing Directors are available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

Company Secretary

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

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Director's 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 Director's responsibilities

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the director has also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). Under company law the director 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 director is 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 the director is aware, there is no relevant audit information of which the Company's auditors are unaware. The director has taken all the steps that ought to have been taken as a Director of the Company in order to make herself 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
3 September 2014

Independent auditors' report to the members of Horizon Hotel Investments Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Aberdeen Asset Management on behalf of Horizon Hotel Investments Limited, comprise:

- Statement of Financial Position as at 31 December 2013;
- Statement of Comprehensive Income for the year then ended;
- Statement of Cash Flows for the year then ended;
- Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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**Responsibilities for the financial
statements and the audit**

**Our responsibilities and those of the
directors**

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 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 ISAs (UK & 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.



Stephanie Cowie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

3 September 2014

Horizon Hotel Investments Limited
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Statement of Comprehensive Income

For the year ended 31 December 2013

	Note	2013	2012
		£	£
Rental income	4	326,672	263,489
Property expenses	5	(4,089)	(2,438)
Net rental and related income		322,583	261,051
Fair value adjustment of investment property	12	(1,239,213)	(601,833)
Realised loss on investment property		(365,152)	-
Other operating expenses	6	(33,382)	(38,194)
Net other income/(expense)		(1,637,747)	(640,027)
Operating loss before financing costs		(1,315,164)	(378,976)
Finance cost	7	(69,866)	(76,179)
Net finance costs		(69,866)	(76,179)
Loss before tax		(1,385,030)	(455,155)
Income tax credit	8	514,926	15,166
Loss after tax		(870,104)	(439,989)

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

The accompanying notes on pages 12 to 21 form part of these financial statements.

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Statement of Financial Position

As at 31 December 2013

	Note	2013 £	2012 £
Assets			
Non current assets			
Investment property	12	3,550,000	7,860,000
Deferred tax asset		46,044	-
Total non current assets		<u>3,596,044</u>	<u>7,860,000</u>
Current assets			
Trade and other receivables	11	65,801	32,715
Cash and cash equivalents	16	2,005,837	-
Total current assets		<u>2,071,638</u>	<u>32,715</u>
Total assets		<u>5,667,682</u>	<u>7,892,715</u>
Equity and Liabilities			
Equity			
Issued capital	13	100	100
Accumulated profit/(loss)		(8,570,396)	(7,700,292)
Total equity		<u>(8,570,296)</u>	<u>(7,700,192)</u>
Non current liabilities			
Deferred tax	10	-	516,219
Total non current liabilities		<u>-</u>	<u>516,219</u>
Current liabilities			
Amounts due to fellow subsidiary undertaking	19	14,070,644	14,975,367
Trade and other payables	14	83,795	65,365
Current tax liability	9	83,539	35,956
Total current liabilities		<u>14,237,978</u>	<u>15,076,688</u>
Total liabilities		<u>14,237,978</u>	<u>15,592,907</u>
Total equity and liabilities		<u>5,667,682</u>	<u>7,892,715</u>

Company Number: SC283164

The financial statements on pages 8 to 21 were approved by the Board of Directors at a meeting on 3 September 2014 and signed on its behalf by:



P S Dickson

Director

The accompanying notes on pages 12 to 21 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 2013

	Issued Capital £	Accumulated Profit/(Losses) £	Total £
Balance at 1 January 2013	100	(7,700,292)	(7,700,192)
Loss after taxation	-	(870,104)	(870,104)
Balance at 31 December 2013	<u>100</u>	<u>(8,570,396)</u>	<u>(8,570,296)</u>

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>

The accompanying notes on pages 12 to 21 form part of these financial statements.

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Statement of Cash Flows

For the year ended 31 December 2013

	Note	2013 £	2012 £
Cash flows from operating activities			
Operating profit/(loss) before financing cost		(1,315,164)	(378,976)
Fair value adjustment of investment property		1,239,213	601,833
Realised loss on investment property		365,152	-
Adjusted operating profit		289,201	222,857
 (Increase)/decrease in trade and other receivables		 (33,086)	 376,782
Increase in trade and other payables		18,430	27,830
Increase/(decrease) in other liabilities		246	(266,270)
Cash (used in)/generated from operations		(14,410)	138,342
 Net cash generated from operating activities		 274,791	 361,198
 Cash flows from investing activities			
Disposals		2,960,004	-
Fair value adjustment of investment property		(254,369)	(111,832)
Net cash generated from/(used in) investing activities		2,705,635	(111,832)
 Cash flows from financing activities			
Decrease in borrowings due to fellow subsidiary undertaking		(904,723)	(257,768)
Interest received		-	-
Interest paid		(69,866)	(76,179)
Net cash used in financing activities		(974,589)	(333,947)
 Net increase/(decrease) in cash and cash equivalents		 2,005,837	 (84,580)
Cash and cash equivalents at beginning of year		-	84,580
Cash and cash equivalents at 31 December	16	2,005,837	-

The accompanying notes on pages 12 to 21 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 2013

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

- 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)
- Annual improvements 2011 (effective 1 January 2013)
- Amendments to IFRS 12, 'Disclosures of interests in other entities' (effective 1 January 2013).

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 2013 but the Company has not elected to adopt early:

- Amendments to IAS 32 on Financial instruments asset and liability offsetting (effective 1 January 2014)
- Amendment to IFRS 10, IFRS 12 and IAS 27 on Investment entities (effective 1 January 2014)
- Amendments to IFRS 9, 'Financial instruments' (effective 1 January 2015).

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 2013 that are relevant to the Company.

The Director of the Company anticipates 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 judgments

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 management judgement is exercised as to whether these estimates indicate if the deferred 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.

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 2013, 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 Director is 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

	2013	2012
	£	£
Gross lease receivables	326,672	263,489

5. Property operating expenses

	2013	2012
	£	£
Rent payable	1,069	1,086
Marketing costs	-	802
Consultancy Fees	3,020	550
	<u>4,089</u>	<u>2,438</u>

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Notes to the financial statements (continued)

6. Other operating expenses

	2013	2012
	£	£
Insurance	23,738	23,694
Professional fees	8,144	13,000
Audit fees	1,500	1,500
	<u>33,382</u>	<u>38,194</u>

The auditors received no fees in respect of non-audit services to the Company (2012: £nil).

The Company had no employees during the year (2012: none).

7. Finance costs

	2013	2012
	£	£
Interest expense	<u>(69,866)</u>	<u>(76,179)</u>
Net finance costs	<u>(69,866)</u>	<u>(76,179)</u>

8. Income tax credit

Recognised in the Statement of Comprehensive Income

	2013	2012
	£	£
Current tax recoverable		
Current year charge	(47,337)	81,029
Deferred tax change in tax rate	562,263	(65,863)
Total income tax credit in Statement of Comprehensive Income	<u>514,926</u>	<u>15,166</u>

Reconciliation of effective tax rate

	2013	2012
	£	£
Loss on ordinary activities before tax	<u>(1,385,030)</u>	<u>(455,155)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	322,019	111,513
Expenses not deductible for tax purposes	(249)	(266)
Impact of change in tax rate	(12,891)	44,889
Capital gains covered by losses	471,600	-
Impairment	(288,117)	-
Prior year adjustment	22,564	6,479
Tax losses where no deferred tax recognised	-	(147,449)
Total income tax credit in Statement of Comprehensive Income	<u>514,926</u>	<u>15,166</u>

9. Current tax liability

The current tax liability of £83,539 (2012: £35,956) represents the amount of group relief payable in respect of the current and prior years. The Company is subject to the UK current rate of Corporation Tax.

Notes to the financial statements (continued)

9. Current tax liability (continued)

The Finance Act 2012, which was substantively enacted on 3 July 2012, included legislation to reduce the main rate of corporation tax from 24 per cent to 23 per cent with effect from 1 April 2013. In addition, the Finance Act 2013, which was substantively enacted on 2 July 2013, included legislation to reduce the main rate of corporation tax to 21 per cent with effect from 1 April 2014 and 20 per cent with effect from 1 April 2015. The change in the main rate of corporation tax from 23 per cent to 21 and 20 per cent has resulted in a reduction in the Company's net deferred tax asset at 31 December 2013 of £13,000, comprising the £13,000 charge included in the income statement.

10. Deferred tax

Recognised deferred tax (asset)/liability

Deferred tax liability is attributable to the following:

	2013	2012
	£	£
Capital allowances	<u>(46,044)</u>	<u>516,219</u>

Movement in temporary differences in the year

	2013	2012
	£	£
Balance at 1 January	516,219	450,356
Deferred tax current year	(556,497)	
Recognised in income	(18,657)	110,752
Change in tax rate - income	<u>12,891</u>	<u>(44,889)</u>
Balance at 31 December	<u>(46,044)</u>	<u>516,219</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

	2013	2012
	£	£
Trade receivables and prepayments	<u>65,801</u>	<u>32,715</u>

12. Investment property

	2013	2012
	£	£
Completed Property		
Balance at 1 January	7,860,000	8,350,000
Disposal proceeds	(2,960,004)	-
Additions	254,369	111,833
Realised loss	(365,152)	-
Fair value adjustment	<u>(1,239,213)</u>	<u>(601,833)</u>
Balance at 31 December	<u>3,550,000</u>	<u>7,860,000</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. Issued 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.

Issued capital	Ordinary shares	
	2013	2012
	£	£
Authorised		
1,000 Ordinary Shares of £1 each	<u>1,000</u>	<u>1,000</u>
Issued		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>

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

	2013	2012
	£	£
Other trade payables	74,569	55,365
Non-trade payables and accrued expenses	<u>9,226</u>	<u>10,000</u>
	<u>83,795</u>	<u>65,365</u>

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

	2013	2012
	£	£
Bank balances	<u>2,005,837</u>	<u>-</u>
Cash and cash equivalents in the Statement of Cash Flows	<u>2,005,837</u>	<u>-</u>

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.

Notes to the financial statements (continued)

17. Financial instruments (continued)

(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.

	2013	2012
	£	£
Cash and cash equivalents	2,005,837	-
	<u>2,005,837</u>	<u>-</u>

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.

(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 2013 the fund held £2,005,837 (2012: £nil) in a Lloyds Bank account. The account does not pay interest and therefore interest rate risk is not deemed to be significant.

Notes to the financial statements (continued)

17. Financial instruments (continued)

(b) Financial risks (continued)

(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 2013

Maturity of contractual liabilities	Up to 1 month	1-3 months	3-12 months	Total
	£	£	£	£
Amounts due to fellow subsidiary undertaking	14,070,644	-	-	14,070,644
Current tax liability	-	-	36,202	36,202
Trade and other payables	-	83,795	-	83,795
Total liabilities	14,070,644	83,795	36,202	14,190,641

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	-	-	35,956	35,956
Trade and other payables	-	65,365	-	65,365
Total liabilities	14,975,367	65,365	35,956	15,076,688

18. Parent undertakings

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

The company regarded by the Director 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 2013. Copies of the annual report and financial statements of Lloyds Banking Group plc for the year ended 31 December 2013 may be obtained from Lloyds Banking Group's office at The Mound, Edinburgh, EH1 1YZ.

Notes to the financial statements (continued)

19. Related parties

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 2013 the Company had £2,005,837 (2012: £nil) on deposit in a corporate current account. During the year to 31 December 2013 the Company had received no interest from this account (2012: £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 2013 £69,866 (2012: £76,179) was payable in respect of intercompany loan interest. As at the 31 December 2013 a total of £14,070,644 (2012: £14,975,367) 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 the 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. Related parties

On 23 June 2014 the Company sold its last remaining property to an unrelated third party for £3,650,000.