Company Registration No. 03644400 (England and Wales)

LENSBURY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

LENSBURY LIMITED

COMPANY INFORMATION

Directors	Mr I M Livingstone Mr Adrian Bradley Mr D Taljaard Miss J Hammond
Company number	03644400
Registered office	Broom Road Teddington Middlesex TW11 9NU
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

LENSBURY LIMITED

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

Principal activities, fair review of the business and future developments
The company owns and operates the Lensbury Resort comprising 155 bedrooms, 42 meeting rooms and extensive leisure, spa and elite sports facilities set on 25 acres of grounds.

During the year the company achieved turnover of £10.7m (2020: £6.5m). The loss for the financial year was £3.2m (2020: loss of £4.8m) including depreciation of £3.1m (2020: £3.3m). Net assets were £33.2m at the year-end (2020: £35.5m).

The directors consider the financial position and future prospects as at 31 December 2021 to be satisfactory.

Principal risks and uncertainties
The key business risks and uncertainties affecting the company are considered to relate to the fact that the company operates within a highly competitive market, in an industry that is heavily influenced by economic conditions. Further discussion of the risks and uncertainties, in the context of the group as a whole, are discussed in the company's ultimate parent's group annual report which does not form part of this report.

The company has a fixed and floating loan and therefore the company has entered into a hedging instrument coterminous with the loan in order to mitigate interest rate risk.

Financial risk management
The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. Further discussion of the financial risk management objectives and policies, in the context of the group as a whole, are discussed in the company's ultimate parent's group annual report which does not form part of this report.

Key performance indicators
The company is managed by the directors in accordance with the group strategies of its ultimate parent company, London and Regional Group Hotels Ltd, and for this reason, the directors believe that key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. These strategies and key performance indicators are discussed in the company's ultimate parent's group annual report which does not form part of this report.

Going concern
In the previous year, the global Covid-19 pandemic had a severe impact on the operations of the company, resulting in a significant downturn in revenues and cash flows.

During the current year, following significant reduction in government imposed restrictions, revenues have increased significantly. The company has net current assets of £33.8m and net assets of £33.2m. The company was compliant with its loan covenants during the year. Management does not expect the covenants to be breached in the foreseeable future.

The directors continue to adopt the going concern basis of preparing the financial statements.

On behalf of the board

Dennis Taljaard
....
Mr D Taljaard
Director
29/07/2022

LENSBURY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

Mr I M Livingstone
Mr Adrian Bradley
Mr D Taljaard
Miss J Hammond

Results and dividends
The results for the year are set out on page 7.

The business review, future developments, principal risks and uncertainties and going concern are included in the strategic report.

No ordinary dividends were paid during the year (2020: £nil). The directors do not recommend the payment of a final dividend (2020: £nil).

Qualifying third party indemnity provisions
The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Independent Auditors
The auditors, PricewaterhouseCoopers LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

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

On behalf of the board

Dermot Taljaard
....
Mr D Taljaard
Director

Date: 29/07/2022

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 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 also 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.

On behalf of the board

Dermot Taljaard
....
Mr D Taljaard
Director
29/07/2022

LENSBURY LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LENSBURY LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Lensbury Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2021; the Statement of Total Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for 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 to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Reporting on other information (continued)

If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so..

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety regulations and general data protection regulation (GDPR), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the requirements of Companies Act 2006 and UK tax regulations. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the risk that management may record inappropriate journal entries and the risk of bias in accounting estimates and judgements.

LENSBURY LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF LENSBURY LIMITED

Auditors' responsibilities for the audit of the financial statements (continued)

Audit procedures performed by the engagement team included:

- Enquiring of management and those charged with governance, of the policies and procedures to prevent and detect fraud as well as enquiries around actual and potential litigation and claims;
- Enquiring of those charged with governance as to whether management have knowledge of any actual, suspected or alleged fraud;
- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation; and
- Assessing the reasonableness of key accounting estimates (because of the risk of management bias), including challenging assumptions and judgements made by management in their significant accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Suzanne Woolfson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 July 2022

LENSBURY LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £'000	2020 £'000
Turnover	3	10,728	6,538
Cost of sales		(6,199)	(3,745)
Gross profit		4,529	2,793
Administrative expenses		(6,770)	(7,857)
Other operating income	4	754	1,572
Operating loss	4	(1,487)	(3,492)
Interest payable and similar expenses	7	(1,306)	(1,258)
Loss before taxation		(2,793)	(4,750)
Tax on loss	8	(378)	-
Loss for the financial year		(3,171)	(4,750)
Other comprehensive income / (expense)			
Cash flow hedges - change in value of hedging instruments		1,103	(929)
Tax relating to other comprehensive income / (expense)		(233)	177
Total comprehensive expense for the year		(2,301)	(5,502)

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

LENSBURY LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Fixed assets					
Tangible assets	9		35,145		37,901
Deferred tax	16		-		513
			35,145		38,414
Current assets					
Stocks	10	62		46	
Debtors	11	35,258		34,957	
Cash at bank and in hand		1,601		805	
		36,921		35,808	
Creditors: amounts falling due within one year	12	(3,121)		(2,959)	
Net current assets			33,800		32,849
Total assets less current liabilities			68,945		71,263
Creditors: amounts falling due after more than one year	13		(35,641)		(35,756)
Provisions for liabilities	15		(98)		-
Net assets			33,206		35,507
Capital and reserves					
Called up share capital	18		44,118		44,118
Hedging reserve			301		(569)
Retained deficit			(11,213)		(8,042)
Total equity			33,206		35,507

The financial statements on pages 7 to 23 were approved by the board of directors and authorised for issue on 29/07/2022 and are signed on its behalf by:

Dermot Taljaard
....
Mr D Taljaard
Director

Company Registration No. 03644400

LENSBURY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £'000	Hedging reserve £'000	Retained deficit £'000	Total £'000
Balance at 1 January 2020	44,118	183	(3,292)	41,009
Loss for the financial year	-	-	(4,750)	(4,750)
Other comprehensive expense:				
Movements in cash flow hedges	-	(929)	-	(929)
Tax relating to other comprehensive expense	-	177	-	177
Total comprehensive income/expense for the year	-	(752)	(4,750)	(5,502)
Balance at 31 December 2020	44,118	(569)	(8,042)	35,507
Loss for the financial year	-	-	(3,171)	(3,171)
Other comprehensive income:				
Movements in cash flow hedges	-	1,103	-	1,103
Tax relating to other comprehensive income	-	(233)	-	(233)
Total comprehensive expense for the year	-	870	(3,171)	(2,301)
Balance at 31 December 2021	44,118	301	(11,213)	33,206

1 Accounting policies

General information

Lensbury Limited is a private company limited by shares incorporated in the United Kingdom and registered in England. The registered office is Broom Road, Teddington, Middlesex, TW11 9NU.

The company owns and operates the Lensbury Resort, Teddington.

1.1 Statement of compliance

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

1.2 *Basis of preparation and summary of significant accounting policies*

The financial statements have been prepared on a going concern basis and under the historical cost convention. The principal accounting policies adopted are set out below.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000 unless otherwise stated.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

1.3 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions.

As a qualifying entity, the company has taken advantage of the following exemptions:

- from the requirement to prepare a statement of cash flows as required by paragraph 3.17 (d) of FRS 102; and
- from the requirement to present financial instruments disclosures, as required by FRS 102 paragraphs 11.39 to 11.48A, *paragraph* 12.26 and 12.29.
- from the requirement to disclose transactions or balances with entities which form part of the group as required under section 33.1A of FRS 102.

1.4 Going concern

In the previous year, the global Covid-19 pandemic had a severe impact on the operations of the company, resulting in significant downturn in revenues and cash flows.

During the current year, following significant reduction in government imposed restrictions, revenues have increased significantly. The company has net current assets of £33.8m and net assets of £33.2m. The company was compliant with its loan covenants during the year. Management does not expect the covenants to be breached in the foreseeable future.

The directors continue to adopt the going concern basis of preparing the financial statements.

1 Accounting policies

1.5 Turnover

Turnover represents amounts receivable from the provision of hotel and leisure services including leisure complex, room hire, bar and restaurant takings and is stated after deduction of value added tax.

Room and inclusive breakfast turnover is recognised at the end of the financial day. All other turnover such as bar and restaurant takings are recognised at the point of sale. Any deposits are recognised over the period that accommodation services are provided.

1.6 Tangible assets

Tangible assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

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

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	1.5% - 2.5% per annum
Freehold improvements	5% - 20% per annum
Equipment, fixtures and fittings	5% - 50% per annum

1.7 Impairment of assets

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

Recoverable amount is the higher of fair value less costs to sell 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1 Accounting policies

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first in, first out, principle and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing stocks to their existing location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Where necessary provision is made for obsolete, slow moving and defective stocks.

1.9 Cash and cash equivalents

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

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

1 Accounting policies

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1 Accounting policies

1.11 Hedge accounting

The company applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

At the inception of the hedge relationship, the company documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line in this item.

The gain or loss recognised in other comprehensive income is reclassified to profit or loss when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1 Accounting policies

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Leases

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

1.17 Government grants

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

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.17 Accrued income

Income is allocated in the year to which it relates, with amounts due but not invoiced at the year end held as accrued income and released to the statement of comprehensive income when invoices are raised.

1.18 Deferred income

Income is allocated in the year to which it relates, with payments received in advance held as deferred income and credited to the statement of comprehensive income when earned.

2 Critical accounting judgements and estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. Estimates and judgements 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.

a) Critical judgements in applying the entity's accounting policies
The directors have not applied any judgements in applying the company's accounting policies.

b) Critical accounting estimates and assumptions
The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The 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 are addressed below.

Useful economic lives of tangible assets
The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying values of the assets and note 1.7 for the accounting policy.

Impairment of debtors
The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtors, the aging profile of debtors and historic experience. See note 11 for the carrying values and note 1.10 for the accounting policy.

3 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

4 Operating loss

	2021	2020
This is stated after charging/(crediting):	£'000	£'000
Depreciation of owned tangible assets	3,072	3,319
Cost of stocks recognised as an expense	46	49
Furlough government credit	(754)	(1,572)
Fees payable to the company's auditors for the audit of the company's financial statements	-	-

Auditors' remuneration of £19k (2020: £18k) has been borne by the parent company, London and Regional Group Hotel Holdings Ltd and no recharge has been made for this (2020: £nil).

5 Employees

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

	2021 Number	2020 Number
Rooms	29	29
Catering	45	45
Other	75	75
	149	149

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	4,331	4,363
Social security costs	363	309
Other pension costs	150	160
	4,844	4,832

6 Directors' remuneration

	2021 £'000	2020 £'000
Aggregate emoluments	231	231
Aggregate contributions paid to stakeholder pension schemes	16	16
	247	247

Remuneration of the highest paid director was as follows:

	2021 £'000	2020 £'000
Emoluments	190	190
Contributions paid to stakeholder pension schemes	14	14
	204	204

7 Interest payable and similar expenses

	2021 £'000	2020 £'000
Interest on bank overdrafts and loans	1,182	1,134
Amortisation of loan fees	124	124
	1,306	1,258

8 Tax on loss

	2021 £'000	2020 £'000
Current tax	-	-
Deferred tax		
Adjustments in respect of prior years	378	-
Total tax charge / result	378	-

Tax assessed for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK for the year of 19.00% (2020: 19.00%). The differences are explained below:

The actual tax charge / result for the year can be reconciled to the expected tax credit based on the loss for the year and the standard rates of tax as follows:

	2021 £'000	2020 £'000
Loss before taxation	(2,793)	(4,750)
Loss multiplied by the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(530)	(903)
Adjustments in respect of prior years	378	-
Permanent capital allowances in excess of depreciation	(665)	(801)
Surrender of group tax relief	1,195	1,704
Tax charge / result for the year	378	-

In addition to the amount charged to the statement of comprehensive income, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2021 £'000	2020 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	233	(177)

8 Tax on loss

Factors which may affect future tax charges
In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19% as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

9 Tangible assets

	Freehold land and buildings	Freehold improvements	Fixtures and fittings	Equipment	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost					
At 1 January 2021	30,818	10,627	22,314	7,168	70,927
Additions	87	-	54	269	410
Disposals	-	-	(94)	-	(94)
At 31 December 2021	30,905	10,627	22,274	7,437	71,243
Accumulated depreciation					
At 1 January 2021	917	8,449	17,476	6,184	33,026
Depreciation charged in the year	444	589	1,652	387	3,072
At 31 December 2021	1,361	9,038	19,128	6,571	36,098
Carrying amount					
At 31 December 2021	29,544	1,589	3,146	866	35,145
At 31 December 2020	29,901	2,178	4,838	984	37,901

10 Stocks

	2021	2020
	£'000	**£'000**
Food	30	20
Beverage	20	18
Other	12	8
	62	46

Stocks are stated after provisions for impairments of £nil (2020: £nil).

There are no significant differences between the replacement costs of the stocks and their carrying amount.

11 Debtors

	2021 £'000	2020 £'000
Trade debtors	300	246
Amounts owed by group undertakings	33,901	34,501
Other debtors	406	17
Derivatives	395	-
Prepayments and accrued income	256	193
	35,258	34,957

Trade debtors are stated after provisions for impairment of £nil (2020: £nil).

Amounts owed by group undertakings are repayable on demand, unsecured and interest free.

12 Creditors: amounts falling due within one year

	Note	2021 £'000	2020 £'000
Bank loans and overdrafts	14	493	493
Trade creditors		576	178
Other taxation and social security		373	465
Other creditors		573	603
Derivatives		-	708
Accruals and deferred income		1,106	512
		3,121	2,959

13 Creditors: amounts falling due after more than one year

	Note	2021 £'000	2020 £'000
Bank loans and overdrafts	14	35,641	35,756

The bank loan is stated net of finance charges of £335k (2020: £459k) to be allocated in future years.

14 Bank loans and overdrafts

	2021 £'000	2020 £'000
Bank loans	36,134	36,249
Payable within one year	493	493
Payable between one and two years	493	493
Payable between two and five years	35,148	35,263

The bank loans are secured against the assets of the company. The current bank loan bears interest at an effective fixed rate of 3.2% per annum, with full repayment due on 9 September 2024.

Bank loans are stated net of finance charges of £335k (2020: £459k) to be allocated to future periods.

15 Provisions for liabilities

	Note	2021 £'000	2020 £'000
Deferred taxation	16	(98)	513
		(98)	513

16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

Balances:	Liabilities 2021 £'000	Liabilities 2020 £'000	Assets 2021 £'000	Assets 2020 £'000
Depreciation charged in excess of capital allowances	-	-	-	378
Derivative financial instruments	(98)	-	-	135
	(98)	-	-	513

16 Deferred taxation

Movements in the year:	2021 £'000
Asset as at 1 January 2021	513
Charged to other comprehensive income	(233)
Charged to profit and loss	(378)
Liability as at 31 December 2021	(98)

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so.

There are no unused tax losses or unused tax credits. The net deferred tax liabilitv exoected to reverse in 2022 is £nil.

17 Retirement benefit schemes

Defined contribution schemes	2021 £'000	2020 £'000
Charge to profit or loss in respect of defined contribution schemes	150	160

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

The total defined benefit obligation outstanding as at 31 December 2021 was £54k (2020: £25k).

18 Called up share capital

	2021 £'000	2020 £'000
Ordinary share capital		
Issued, called up and fully paid		
44,118,000 (2020: 44,118,000) ordinary shares of £1.00 each	44,118	44,118

19 Related party transactions

As the company is a wholly owned subsidiary of London and Regional Group Hotel Holdings Ltd, the company has taken advantage of the exemption under section 33.1A of FRS102 from disclosing transactions or balances with entities which form part of the group.

20 Controlling party

The immediate parent undertaking is London and Regional Group Hotel Holdings Ltd, a company incorporated and registered in England and Wales.

The ultimate parent undertaking is London and Regional Group Hotels Ltd, a company incorporated in England and Wales.

London and Regional Group Hotel Holdings Ltd is the parent undertaking of the smallest group of undertakings to consolidate these financial statements as at 31 December 2021. London and Regional Group Hotels Ltd is the parent undertaking of the largest group of undertakings to consolidate these financial statements as at 31 December 2021. The consolidated financial statements of London and Regional Group Hotel Holdings Ltd and London and Regional Group Hotels Ltd can be obtained from the company secretary at: Quadrant House, Floor 6, 4 Thomas More Square, London, E1W 1YW.

The ultimate controlling parties are I M Livingstone and R J Livingstone through their joint ownership of London and Regional Group Hotels Ltd.